

AGRICULTURAL OUTLOOK

June 1985

Economic Research Service
United States Department of Agriculture

Congress Debates New Farm Bill

AGRICULTURAL OUTLOOK

June 1985/AO-109



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Economics Editor—W. Keith Searce (202) 447-8378
Assistant Economics Editor—Herb Moses (202) 447-8378
Managing Editor—Robert E. Haynes (202) 475-5293
Editorial Staff—Shirley Hamman
Statistical Coordinator—Ann Duncan and Annette D. Dorgan (202) 447-8378
Production Staff—Erma McCray; Brenda Powell; Joyce Bailey; D. Carolyn Riley

For more information, contact:

Commodity Highlights—Allen O. Johnson (202) 447-8376
Farm Income—Jim Johnson and Gary Lucier (202) 447-2317
Food Prices—Ralph Parlett (202) 447-8801
General Economy—Paul Prentice (202) 447-7340
Marketing Costs—Denis Dunham (202) 447-8801
Transportation—T. Q. Hutchinson (202) 447-8666
World Agriculture and Trade—Gerald Rector (202) 447-8912, Tom Warden (202) 447-4863, and Steve MacDonald (202) 447-8841

Contents of this report have been Approved by the World Agricultural Outlook Board, and the summary was released May 17, 1985. Materials may be reprinted without permission. *Agricultural Outlook* is published monthly, except for the January/February combined issue. Price and quantity forecasts for crops are based on the May 10 World Agriculture Supply and Demand Estimates.

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The next issue of *Agricultural Outlook* (AO-110) is scheduled for mailing on July 3, 1985. If you do not receive AO-110 by July 15, call the Managing Editor (be sure to have your mailing label handy). The full text and tables of AO-110 will also be available electronically. For more information, write EMS/USDA, Room 400 GHI, Washington, D.C. 20250, or call (202) 382-9754.

In Brief. . . News of Farm Bill Debate, World Trade & Shipping Costs. . .

In April, large meat supplies and sharply lower Choice steer prices prevailed. Finished cattle were kept off the market because of falling prices, and average dressed carcass weights were up 15 pounds from a year earlier. Hog prices averaged \$42 a cwt, down from \$44 in March and \$48 in February. Even though feed costs have remained relatively low, the lower prices are pushing average producer returns below breakeven.

Low feed costs have kept returns to broiler producers positive, despite a slide in wholesale prices. First-quarter net returns to turkey producers were also positive, although profits dropped somewhat. Egg producers had negative returns and may not see any improvement in the second quarter. The reason is that wholesale prices have dropped farther than production costs.

Global meat production rose 2 percent in 1984 after increasing 3 percent the year before. Because U.S. production increased only 1 percent, foreign output accounted for most of the growth. In 1985, meat production is anticipated to grow 1 percent, based on the strength of foreign output. U.S. production is forecast to decline 1 percent.

Despite 20 million acres of the national wheat base idled under the reduction program, 1985's wheat output looks to be only slightly below



1984. Another harvest with yields approaching 40 bushels an acre will offset some of the cutback.

Feed grains, soybeans, and cotton are now being planted. Domestic feed grain supplies are forecast up 8 percent because of larger carryin and production, while world production is forecast up 1 percent. Soybean production may be up 3 percent, exceeding use, and the 1985/86 rice crop may total 125 million cwt. With an expected rice carryin of 64 million cwt, 1985/86 rice supplies could approach 200 million.

Railcars and barges available to move grains and soybeans for domestic consumption and exports remain plentiful. In fact, they are more than adequate to meet foreseen needs. Railcar

loadings of grain and soybeans in the first quarter of 1985 averaged nearly 20 percent below the same quarter last year and 12 percent below the 1984 average. This decline appears to come chiefly from reduced corn exports through Pacific Coast ports.

The general economy is expected to keep growing without any acceleration in inflation. Despite sluggish real GNP growth of 1.3 percent in the first quarter of 1985, a recession is unlikely. Although some analysts forecast GNP to slip under 1 percent during the rest of the year, most forecast it between 2 and 5 percent.

In 1981, the farm bill passed in the House of Representatives by a 2-vote margin and ended a year of intense negotiations between farm groups, the Administration, and Members of Congress. This year, Congress is considering new legislation. Although the bills all differ to some degree, several common themes run through them: more market-oriented price and income support programs, more aggressive export marketing and trade liberalization, and more comprehensive soil and water conservation programs.



Agricultural Economy

A full agenda of agricultural policy options is now before the U.S. Congress. In the past, some of the underlying goals shaping agricultural policy have been to:

- Supply abundant food at a reasonable cost to domestic consumers;
- Insure equitable returns to farming compared with other sectors;
- Maintain a dispersed agricultural structure oriented toward family farms; and
- Conserve resources and preserve the environment for future generations.

These goals, however, cannot always be achieved without conflicting with one another to some extent. For example, producing abundant food at a reasonable cost could conflict with providing farmers equitable returns, especially if it means raising the prices that consumers pay. Likewise, to produce abundant supplies might infringe on the conservation goal.

Such conflicts lie at the base of the current agricultural policy debate. Whatever legislation is passed will involve compromises, and the political

process, in addition to economic principles, will dictate how the conflicts are resolved.

Economic Environment Shaped the Policy Perspective in 1981

In 1981, the farm bill passed in the House of Representatives by a two-vote margin and ended a year of intense negotiations between farm groups, the Administration, and Members of Congress. The legislation that was passed, however, was more an extension of the programs under the 1977 Food and Agriculture Act than a major new framework. It retained items such as nonrecourse price-support loans, target prices, the farmer owned grain reserve, and traditional mechanisms for reducing planted acreage.

Some steps were taken to cut the budget. Because inflation was assumed to continue, the 1981 act broke away from the automatic cost of production adjustments in target prices, which were started in 1973 for most of the major price-supported commodities. The 1981 act set specific targets for each year from 1982 to 1985 at levels Congress thought to be beneath the inflation rate. These increases in target prices were well below what some farm groups had lobbied for.

USDA retained the authority to lower, as well as raise, loan levels according to market conditions. The dairy program received particularly strong cuts. In 1970, the dairy support was \$4.66 a cwt; by 1980, it reached \$13.10. Although the 1977 act guaranteed minimum support prices at 80 percent of parity, in 1981 they were set at about 69 percent for the following year. The act also gave farmers stronger embargo protection and several provisions designed to promote exports.

With the 1981 farm bill in place, good weather in 1982 produced bumper crops of grain and other commodities. However, for the first time in nearly a decade, the value of exports dropped in fiscal 1982 because of a worldwide recession and a strong dollar. Exports have since continued to decline, except for 1984. Net farm income fell sharply after a strong 1981 showing and grain carryover stocks reached new records in 1982/83. Instead of dropping, Government payments to farmers rose to their highest level since the 1960's.

All this led USDA to fall back on acreage controls to lower production in fall 1982. The PIK program was implemented to reduce production and Government expenditures simultaneously. Farmers were paid with commodities held by the Commodity Credit Corporation (CCC) not to produce certain crops.

However, events following PIK also took an unexpected turn. Farmers pledged to idle over a third of the acreage that would have been planted with PIK crops and this led to greater than expected Government costs. Some \$5.2 billion of entitlements for Government commodities went toward PIK payments in calendar 1983 along with \$4.1 billion in direct cash payments. Actual production turned out to be much less than forecast because of the severe drought.

After these events, many policymakers and farm groups called for changes in the parameters of agricultural legislation. Adjustments were made in target prices and loan rates in the Agricultural Programs Adjustment Act of 1984. Currently, a full-scale debate is underway concerning the overall scope of agricultural policy.

1985 Debate Takes A Different Perspective

The 1985 farm bill will be debated in a very different atmosphere than the 1981 farm bill. The following are some highlights of the economic environment.

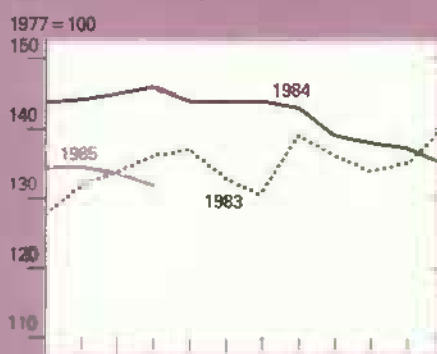
- Larger supplies of most crops, with lackluster domestic and export demand leading to expanding carryover stocks.
- Sagging commodity prices near the loan rate.
- Macroeconomic policies here and abroad contributed to a high valued dollar which is now hurting the vitality of U.S. agricultural exports and the agricultural economy. The volume and value of U.S. agricultural exports for 1985 is expected to be less than last year.
- A decline in the U.S. share of world markets for most grains in 1984/85 and probably another decline in 1985/86.

Prime Indicators of the Agricultural Economy

Prices paid by farmers¹



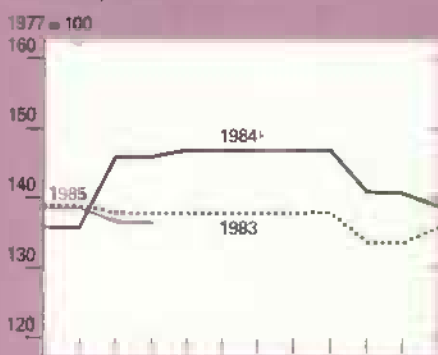
Prices received by farmers²



Ratio of prices received to prices paid



Fertilizer prices³



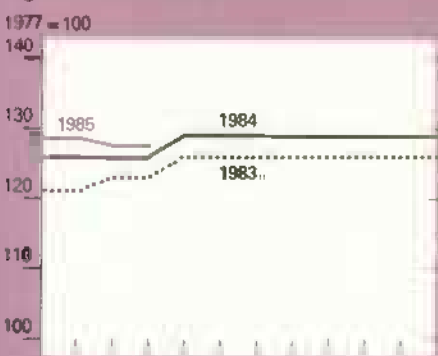
All crops⁴



Livestock and products⁴



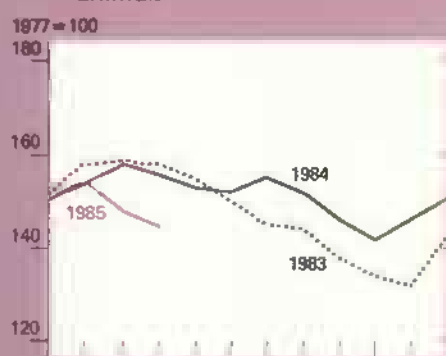
Agricultural chemicals³



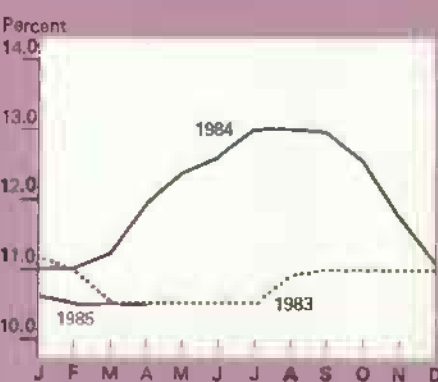
Food grains⁴



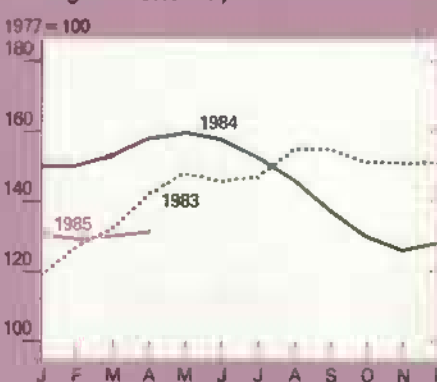
Meat animals⁴



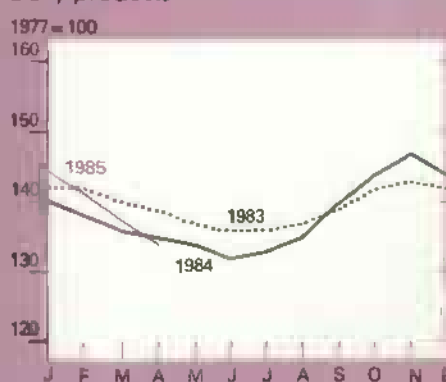
Interest rates—prime rate



Feed grains and hay⁴



Dairy products⁴



¹For commodities and services, interest, taxes, and wages

²For all farm products.

³Index of prices paid; 1977 = 100.

⁴Index of prices received; 1977 = 100.

- Net cash income could drop a little this year. Net farm income, which includes the value of the inventory changes, will decline from the projected \$29 to \$33 billion in 1984 to a projected \$20 to \$25 billion in 1985. In 1984, the value of the inventory change added about \$7 billion to the net income.
- Financial stress in agriculture will remain. However, the large budget deficit, which helps to hold real interest rates high, will also hinder efforts to increase the budget for the agricultural sector.

Flexibility Needed for the Long Run

Fiscal and monetary policy are major determinants of the economic well-being of agriculture. A tight monetary policy raises interest rates and the value of the dollar, which hinders exports. Farm policy alone cannot solve this problem.

Agricultural trade policy is critical in insuring an efficient farm sector and in expanding U.S. markets abroad. Given the importance of exports, domestic farm and trade policies are closely linked.

Because volatility can stem from weather, fluctuating exchange rates, third world debt, and world politics, farm programs need to be flexible. If set too high or too rigid, commodity loans can distort market signals and cause excessive production. High loans can also encourage competitors to produce and export more. This is counterproductive to the U.S. agricultural interest in maintaining a competitive position in world markets.

[The farm bill analysis reported on in this issue of Agricultural Outlook draws on work done by a number of analysts in ERS including Praveen Dixit, Sam Evans, Lewrene Glaser, Tony Grano, Robert Haynes, Kathy Jabara, Herb Moses, Pat O'Brien, Clay Ogg, Jerry Rector, Keith Searce, Barbara Stucker, Larry Traub, and Jim Zellner]

LIVESTOCK HIGHLIGHTS

• **Cattle**

Large meat supplies and sharply lower Choice steer prices prevailed in April as cattle feeders held finished cattle

off the market in anticipation of stronger prices. Dressed carcass weights averaged 644 for the first 4 months of the year, up 15 pounds from a year earlier. Average live weights for heifers increased 23 pounds, and for steers, 20.

Although commercial slaughter declined about 3 percent from a year earlier, higher slaughter weights left beef production for the first quarter unchanged. The slaughter mix, however, was significantly different.

Fed steer and heifer slaughter was up 3 percent, while commercial cow slaughter declined 10 percent. In early 1984, dairy cow slaughter was high because of the diversion program. This year, slaughter has declined. Beef cow slaughter was above a year ago, but 1984 beef cow slaughter did not increase sharply until later in spring.

The continued high level of beef cow slaughter in the first quarter of this year suggests further declines in the 1985 cattle inventory. First-quarter slaughter of nonfed steer and heifers was down 50 percent.

Retail beef prices averaged \$2.39 a pound, compared with \$2.43 for the first-quarter last year. Retail prices remained relatively stable, but wholesale carcass prices declined sharply to about \$86 a cwt by early May. This is the lowest price since 1979. The price spread between yield grade 3 and 4 carcasses widened to \$19 a cwt, indicating burdensome supplies of overfinished carcasses.

Choice fed steer prices were pressured downward throughout the first quarter. Omaha prices averaged \$59.58 a cwt for March and \$62.24 for the quarter, down from the \$67.58 for the first quarter a year earlier. So, the farm-retail price spread widened to \$1.09 a pound during March and to \$1.03 for the quarter.

Choice steer prices will probably not improve much until June because it may take 4 to 6 weeks to move current large beef supplies. Retail prices may remain about unchanged from first-quarter prices in the second quarter despite expected improved demand as consumers receive tax refunds and the cook-out season begins. Choice steer prices may average \$59 to \$62. Higher live animal prices can be accommodated through a narrowing of the farm-to-retail price spread.

Production during the second quarter will likely remain near year-earlier highs. Fewer placements of cattle on feed during the first half will probably mean declines in production during the second half, particularly in the fourth quarter. Prices will likely strengthen beginning in late spring and early summer.

Choice steer prices may average in the mid-\$60's during the second half and in the low \$60's for the year. Feeder steer prices did not weaken much during the first quarter and yearling steers at Kansas City averaged \$68.30, compared with \$66.31 a year earlier. Competition for the reduced supply of stockers will help support yearling prices in the mid to high \$60's through the remainder of the year. *(John Nalivka (202) 447-8636)*

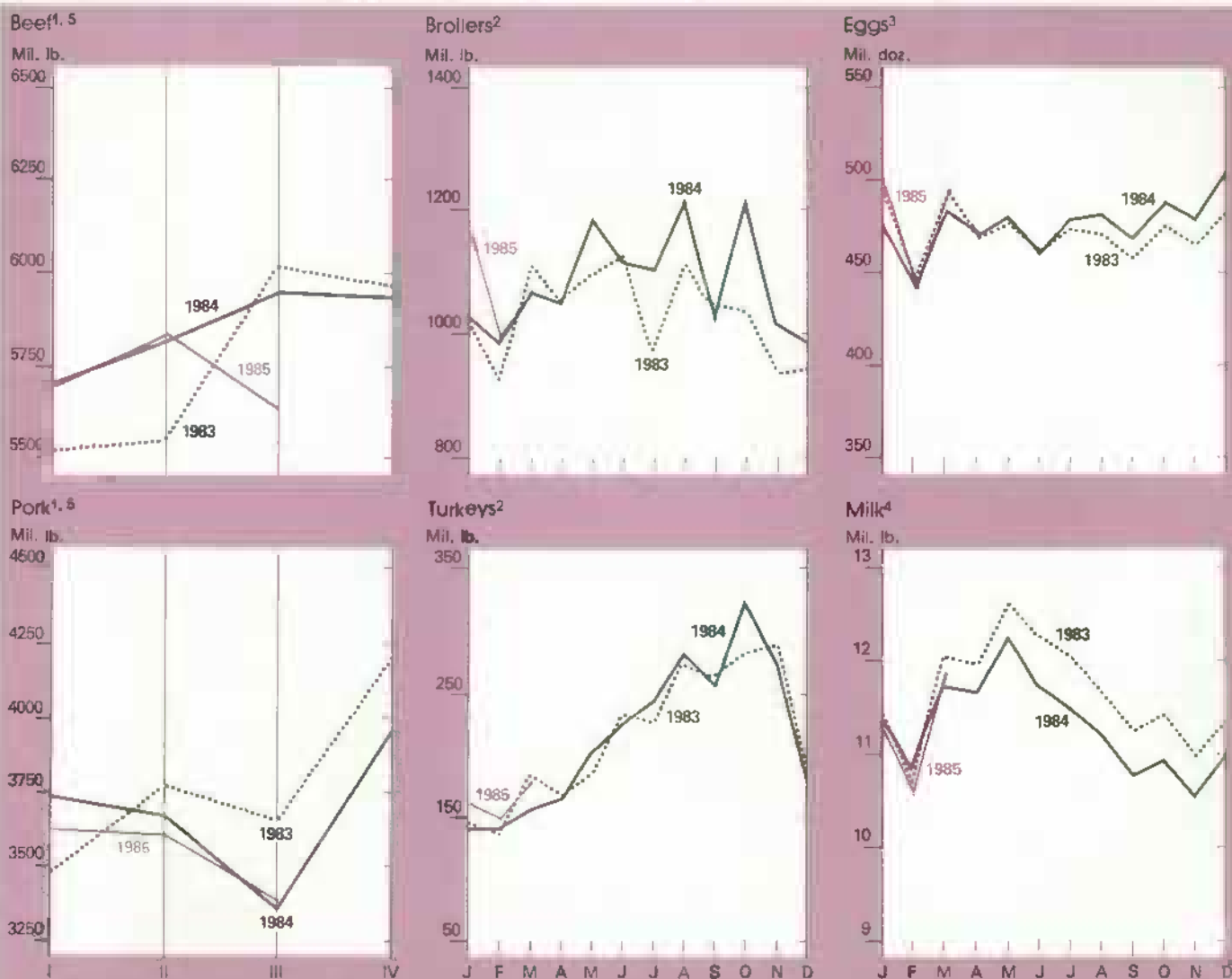
• **Hogs**

Hog prices averaged about \$42 a cwt in April, compared with \$44 in March and \$48 in February. The low prices have reduced average returns for farrow-to-finish producers below breakeven, even though feed costs have remained relatively low. This comes after a brief period of positive returns. However, prices are expected to rally later this spring, once again bringing producers positive returns.

Commercial pork production in the second quarter is forecast at 3.6 billion pounds, down 2 percent from last year. Based on the March 1 inventory of market hogs weighing 60-179 pounds, commercial slaughter is projected to be down about 2 percent, while the average dressed weight is expected to be about the same as last year.

Sow slaughter may be a smaller percentage of total slaughter than last year. Normally, reduced sow slaughter would lighten slaughter weights, but heavier barrows and gilts may offset the decline. In April, the average live weight of barrows and gilts at seven markets averaged 245 pounds, compared with 241 pounds a year ago. Commercial production in the third quarter is projected at 3,375 million pounds, about the same as last year.

Hog prices are expected to get a boost from seasonal slaughter declines this spring, perhaps reaching near \$50 a cwt in late June. However, heavier barrows and gilts will continue to pressure prices in May. Heavier cattle weights are raising beef production,



and broiler production is also running above last year. Hog prices in the second quarter are expected to average \$43 to \$46 a cwt, compared with \$49 a year ago. The seasonal decline in pork production and year-over-year lower beef production in the third quarter should strengthen hog prices to about \$48 to \$52 a cwt.

Retail pork prices in the first quarter averaged \$1.65 a pound, up 3 cents from a year ago, despite slower economic growth and larger broiler supplies. Red meat supplies were slightly above last year when adjusted

for the extra slaughter day last year. The farm value dropped slightly in the first quarter, widening the farm-to-retail spread. [Leland Southard (202) 447-8636]

• Broilers

Prospects for broiler producers look good. Even with a slide in wholesale broiler prices, net returns are still positive because of continued low feed costs. Large supplies of feed ingredients and weak foreign feed demand are expected to keep feed prices steady. If wholesale broiler prices increase from current lows, net returns may continue positive for the rest of 1985.

Output of broiler meat from federally inspected plants during first-quarter 1985 was 3,215 million pounds, up 4 percent from last year. Based on chicks placed weekly and eggs set for second-quarter slaughter, output may be 5 to 6 percent above last year's 3,350 million pounds. If competing meat supplies decline as expected in the second half, broiler producers may keep expanding production. Second-half 1985 output may be 5 to 7 percent above 1984.

Prices for a composite of whole birds, both Grade A and branded. In 12 cities, averaged 51 cents a pound during the first quarter, down from 62 cents last year. Large supplies and seasonally weak demand resulted in lower broiler prices during April. So, second-quarter prices may average 47 to 50 cents a pound, down from 56 cents last year. Large total meat supplies are pressuring broiler prices lower. Prices for broilers may average 48 to 52 cents a pound in the second half of 1985, near last year's 52 cents. (Allen Baker (202) 447-8636)

• Turkeys

Net returns to turkey producers were favorable in the first quarter of 1985, but lower prices have reduced profits. Prospects should improve during the second half of 1985 when prices strengthen seasonally.

Output of turkey meat from federally inspected plants during first-quarter 1985 was 482 million pounds, up 11.4 percent from 1984. The combination of positive net returns, declining feed costs, and very low ending stocks of frozen turkey encouraged producers to expand.

This expansion will continue in the second quarter. Poults placed suggest slaughter will be up 5 to 7 percent. Output in second-half 1985 may be 2 to 3 percent above 1984's 1,553 million pounds.

Prices of commodity pack hen turkeys weighing 8 to 16 pounds in the Eastern region averaged 69 cents a pound in the first quarter, up from 68 cents last year. During April, prices weakened and second-quarter prices may average 62 to 65 cents a pound, down from 67 cents last year. During second-half 1985, prices are expected to strengthen, averaging 65 to 69 cents a pound, down from 81 cents last year but up from the second quarter. Continued low stocks of frozen turkey and smaller supplies of red meats in the second half of the year are expected to offset increased turkey production and increased prices. (Allen Baker (202) 447-8636)

• Eggs

Egg producers were hit with negative net returns in the first quarter of 1985 and may not see an improvement through the second quarter. Although

costs, especially feed, have declined from last year, wholesale egg prices dropped further, thus causing the negative returns. While prices may improve if producers continue trimming supplies, negative net returns may persist until second-half 1985.

Egg production in first-quarter 1985 totaled 1,431 million dozen, up 2 percent from 1984. On April 1, the number of hens on farms was 1 percent below a year earlier, suggesting producers are trimming flocks. The pullets added in second-half 1984 and early 1985 are keeping the rate of lay high, as seen in the 3-percent increase from a year ago. The number of replacement pullets is expected to be lower in the second quarter and the flock may remain below last year.

Egg production in second-quarter 1985 may be 2 percent above 1984's 1,408 million dozen. With a higher rate of lay, output in the second half may be 1 percent above last year, despite fewer hens and pullets added.

Prices of Grade A large eggs in New York averaged 62 cents a dozen in the first quarter, down from \$1.03 in 1984. During the second quarter, prices may average 57 to 61 cents a dozen, down from 1984's 83 cents. With output expected to be up only slightly, prices may strengthen in the second half and average 67 to 71 cents a dozen, near last year's 68 cents. (Allen Baker (202) 447-8636)

• Dairy

Cash receipts from the marketings of milk and cream during calendar 1984 were \$17.9 billion, down 4.4 percent. Farm marketings of milk and cream (milkfat basis) totaled 132.4 billion pounds, down 3.6 percent (4.9 billion pounds). The all-milk price was down 0.9 percent.

Dairy farm cash receipts in 1983 and 1984 were impacted directly by the price-support program. From April 16 through August 31, 1983, commercial marketing receipts were reduced 50 cents a cwt.

During September-November 1983, there were two deductions of 50 cents a cwt. One of the deductions was refunded if the farmer reduced marketings 8.4 percent, or more, from corresponding marketings for 1980/81 and 1981/82.

From December 1, 1983, until March 31, 1985, a mandatory deduction of 50 cents a cwt on commercial marketings was in effect and not refundable. Also during calendar 1984 and first-quarter 1985, direct payments were made to milk diversion program participants who had complied with provisions of their contracts. After adjusting cash receipts for diversion payments and net deductions, the total effective receipts were about \$18.2 billion in 1983 and about \$17.8 billion in 1984, compared with \$18.2 billion in 1982.

Commercial disappearance of all milk and dairy products, on a milkfat basis, during calendar 1984 was about 127.8 billion pounds, a gain of 3.5 percent from a year earlier. For 1985, commercial use is expected to be unchanged to 2 percent higher.

Milk production during April was 3 percent larger than a year earlier. Output per cow was up 2 percent, while milk cow numbers were 1 percent higher. For all of calendar 1985, milk production is expected to total 1 to 3 percent more than the 135.4 billion pounds produced in 1984. (Clifford Carman (202) 447-8636)

CROP HIGHLIGHTS

• Wheat

Despite 20 million acres of the national wheat acreage base being idled under the acreage reduction program, 1985's wheat output looks to be only slightly below 1984. Harvest of 1985's winter crop is underway with growers expected to combine 48.5 million acres, 3 million fewer than last year. Another harvest with winter wheat yields slightly over 40 bushels an acre will offset some of the acreage cutback. As of May 1, winter wheat production was forecast at 1.97 billion bushels, 86 million below last year.

Heavy enrollment by spring wheat growers in the 1985 program will not overcome the smaller requirement for

idled acreage. This season, participants need idle only 30 percent of their base acreage, while under the 1984 PIK program, they could idle an additional 20 percent under an optional program. Adding this to the winter forecast gives a total 1985 crop of 2.53 billion bushels, compared with 1984's 2.6 billion.

This negligible cutback will maintain supplies somewhat below the 4 billion bushels of the last three seasons. Confronting this overbearing inventory is the prospect of a decline in demand.

Domestic use may fall since wheat feeding is down from the implied record of 1984/85. Also, the U.S. export potential is not bright, especially if other producing areas in the world respond as currently projected. Because total disappearance will likely fall short of the crop size, yearend wheat stocks will further increase, to around 1.6 billion bushels. Under these conditions, the average farm price may range between \$3.20 and \$3.40 a bushel.

For world wheat, 1985/86 is expected to resemble the past 3 years: record global production outpacing consumption, leaving ending stocks at new highs. Total exportable supplies of the five major exporters are anticipated to rise for the sixth consecutive year. World demand for wheat, however, may be reduced because of large anticipated harvests in the Soviet Union and China.

Furthermore, continuing debt problems may constrain purchases by many developing nations. Competition among the major exporters for the reduced world market will intensify, and the ability to offer credit may play an increasing role in maintaining market share.

Sharply reduced Soviet import needs may lead to a 5-million-ton decline in 1985/86 world trade, to about 100 million. The first USDA forecast of 1985/86 Soviet production is 87 million tons, up 14 million from 1984/85. Given the anticipated larger harvest, wheat imports by the USSR may decline 7 million tons from the 26 million in 1984/85. Drought-reduced crops in Morocco and Pakistan are expected to raise import requirements in both countries by 0.7 million tons, respectively, from the 1984/85 levels.

The exports in 1985/86 of the major foreign competitors (Argentina, Australia, Canada, and the EC) may increase 2 to 3 million tons over 1984/85 (July/June basis) to about 60 million, with most of the increase coming from Canada. India is expected to increase its sales to 1.5 million tons to reduce its burgeoning stocks. With record beginning stocks and a forecast 1985/86 crop second only to last year's record harvest, the EC will strive to keep an aggressive posture in world markets to avoid a further increase in stocks.

The U.S. export forecast for 1985/86 stands at 32.7 million tons, down 6.3 million from last year. Reduced world demand and potential price-cutting by competitors point to a decline in the U.S. market share.

Global wheat trade for 1984/85 is forecast at 104.8 million tons, down 0.6 million from the May estimate, primarily because China's anticipated purchases from the United States and Australia for January-June delivery have not materialized. Three consecutive record crops have reduced China's import requirements to 7.5 million tons.

After the United States suspended its blended credit program, France partially filled the gap for Morocco by offering credit for purchase of 750,000 tons of wheat. Morocco also purchased 230,000 tons of wheat from the United States in a recent P.L. 480 tender. All of the U.S. wheat will be delivered by the end of June 1985.

The U.S. export forecast for 1984/85 has been reduced to 38.9 million tons, down 0.6 million because of sluggish export sales and shipments. [Allen Schienbein (202) 447-8444 and Scott Reynolds (202) 447-8879]

• Rice

Based on yield expectations, program enrollment, and the *Planting Intentions* report, the 1985/86 rice crop may total 125 million cwt. With an expected carryin of 64 million cwt, 1985/86 rice supplies could approach 200 million. But with current world market conditions and price supports, demand is unlikely to claim more than 120 million cwt, leaving prospects for substantial carryover.

World rice trade in calendar 1985 is forecast at 11.6 million tons, compared with the 12.5 million traded in 1984. Recently, the Philippines purchased 95,000 tons from Thailand and 100,000 tons from China. Over 100,000 tons of

U.S. rice was shipped to Africa through the CCC African Drought Relief Program, but U.S. commercial sales so far in 1985 are lagging last year's pace. The U.S. export forecast for 1985 is 2.0 million tons, down slightly from 2.1 million in 1984.

The first USDA forecast of world rice production for 1985/86 is 319.5 million tons (milled basis), slightly above the forecast 1984/85 record. Large beginning stocks and successful harvests could permit some former importers such as Indonesia and Korea to achieve self-sufficiency for the second year in a row. Global use may increase by 4 million tons, but trade is expected to rise only marginally from current depressed levels. [Barbara Stucker (202) 447-8444 and Scott Reynolds (202) 447-8879]

• Feed Grains

Domestic feed grain stocks as of April 1 totaled 123.5 million metric tons, more than enough to cover domestic and export needs for the rest of the season. Based on the April 1 stocks report, corn inventories were almost 3.96 billion bushels; grain sorghum, 481 million; oats, 256 million; and barley, 319 million.

Although most of the areas that produce corn and sorghum were a little too wet for early fieldwork, planting in the major areas is ahead of schedule. Dryness in the Southeast and East prevented some planting. Because of good weather and early planting, the 1985 corn crop is forecast at 7,875 million bushels, 3 percent above 1984. With demand weakened by declining exports, 1985/86 ending stocks are projected to reach 1.95 billion bushels, 65 percent above projected carryout for 1984/85. For the 1985/86 season, farm prices should average between \$2.50 and \$2.70 per bushel, supported by the \$2.55 loan rate.

Total 1985/86 domestic feed grain supplies are forecast up 8 percent from this season because of larger carryin and production. Exports are expected to decline and domestic use should rise slightly, with the number of grain-consuming animals units remaining about steady.

Stagnant demand and plentiful supplies portend a carryout of 68.9 million metric tons by September 30, 1986, about 31 percent of use, compared with 20 percent this season. This abundant supply will keep pressure on farm prices to remain near Government loan rates.

Global coarse grain production in 1985/86 is projected to be a record 816 million metric tons, up around 1.5 percent from a year earlier. Global supplies (world production plus beginning stocks) are likely to break the 1982/83 record, marginally exceeding 900 million tons. Significant production gains are forecast for the Soviet Union, South Africa, and Canada, because of better yield prospects.

Because of the anticipated 33-million-ton gain in global supplies, feed grain prices for the year will likely fall. Lower prices, along with continued global economic recovery, will in turn spur the demand for coarse grains to boost livestock production in some countries. Livestock production facilities in other parts of the EC and East Asia, however, will expand slowly and limit import demand gains for feed grains. In addition, the larger Soviet crop will result in lower world imports.

Coarse grain production in 1984/85 is forecast at 803 million tons, an increase of 17 percent from a year earlier, and the first time production has ever exceeded 800 million. China and EC coarse grain production soared to records because of excellent weather in both countries. Major agricultural policy changes in China and the widespread use of high-yielding grains in the EC also augmented production.

So, for the year, foreign production should rise about 18 million tons, to over 565 million. China's production in 1985/86 is forecast to rival this season's, while outturn in the EC may drop by about 6 percent because a repeat of 1984's ideal weather (highlighted by perfect conditions at

harvesting) is unlikely. Nonetheless, the EC's 1985/86 coarse grain crop, forecast at about 70 million tons, could slightly exceed 1978/79-1982/83 average.

In 1984/85, global coarse grain use is expected to be a record. At 783 million metric tons, use is up 24 million tons over 1983/84. Use of grains as live-stock feed, estimated at 510 million metric tons, improved significantly over last year. In 1985/86, both feed and total use should improve again, because large production is forecast and the resulting lower prices should lead to an increase in consumption.

Total coarse grain trade in 1984/85 (not including intra-EC trade) is forecast at 102 million tons. Not since 1980/81 has it topped 100 million tons. The figure however is somewhat deceiving, because record-setting Soviet imports (estimated at 26 million tons for October-September 1984/85) revitalized the coarse grain market after 3 depressed years.

For 1985/86, global trade is likely to fall sharply. U.S. coarse grain exports, at under 52 million tons, are below the 58.3 million tons of 1984/85 because of strong competition from the EC, large corn sales by China, improved production and export prospects from Canada, and a dramatically improved Soviet production forecast. Coarse grain feed use in the USSR may gain only slightly as growth of animal inventories in the USSR has slowed and total animal units are now equal to those of a year earlier. This may further reduce U.S. trade prospects. [David Hull (202) 447-8776 and James Cole (202) 447-8857]

• Oilseeds

For soybeans, the biggest concern over the next several months is the size of the 1985 U.S. crop. Planting is now in full swing in June.

The February *Plantings Intentions* report indicated producers intend to plant about 5 percent fewer acres to soybeans this spring. The soybean/corn price ratio, based on recent average monthly prices, is in the 2.2:1 range, certainly favorable to corn. A relatively high participation rate in the feed grain and cotton programs should prevent a large shift to soybeans.

However, since cross compliance is not required, farmers participating in one program could place that acreage in another program crop. With a cotton loan rate of 57.3 cents a pound, cotton looks more profitable than soybeans right now. Most of the shift in acreage seems to be occurring in the Southeast. Acreage declines range from 11 percent in South Carolina to 21 percent in Alabama, whereas the seven major Corn Belt States indicate plantings at 98 percent of the 1984 levels.

The oil sector remains an island of price strength. Domestic disappearance of soybean oil through February was 5 percent above a year earlier and is comparable with the same period in 1982/83, when total disappearance reached almost 9,857 million pounds. Disappearance in all end uses—salad and cooking oil and shortening and margarine—was ahead of 1983/84 levels, despite strong prices that averaged 29.7 cents a pound through February. Prices could climb through the balance of the year and encourage crush, and likely average 31 cents for the season. Soybean oil prices are contributing roughly half the value of soybean products in 1984/85. Unless meal demand strengthens, prices for oils will maintain an unusually high proportion of product value in 1985/86.

World production for 1985/86 may total 186 million tons, nearly unchanged from this year. Foreign production may fall, but South American soybean production will increase slightly.

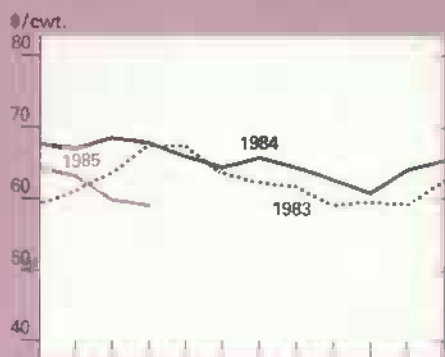
Last year, oilseed production grew nearly 21 million metric tons, and of that, cottonseed output increased nearly 7 million. Most of the cottonseed gain was in China, but new policies will reduce China's cotton area in 1985/86. However, China may plant some of its reduced cotton area to rapeseed and peanuts.

U.S. soybean export prospects for 1985/86 may be slightly higher than 1984/85's reduced level. The largest market for U.S. exports, the EC, will again have large domestic oilseed and grain supplies that may replace the use of soybean meal in feed rations. Also, the dairy supply control program will continue to reduce the need for protein meal in dairy rations.

For the past 2 years, Soviet soybean meal use has been below the 1982/83 peak, but some recovery is expected in 1985/86. Eastern Europe may increase

Commodity Market Prices: Monthly Update

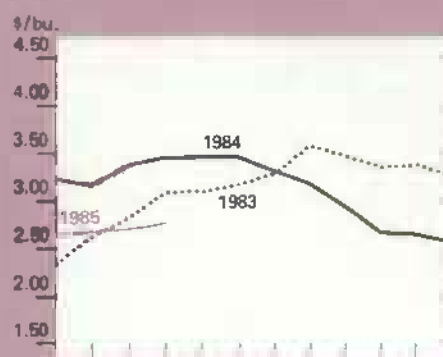
Choice steers¹



Broilers⁴



Corn⁶



Choice feeder cattle²



Eggs⁵



Soybeans⁷



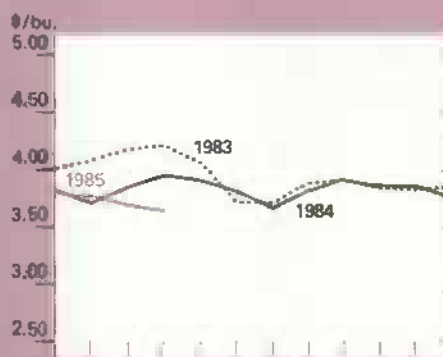
Barrows and gilts³



Rice (rough)



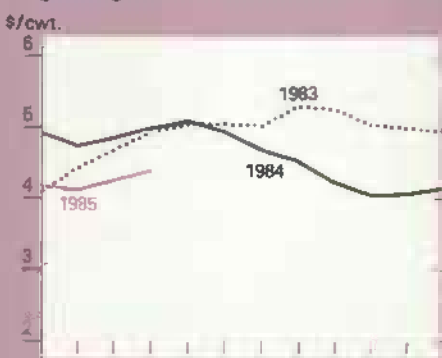
Wheat⁸



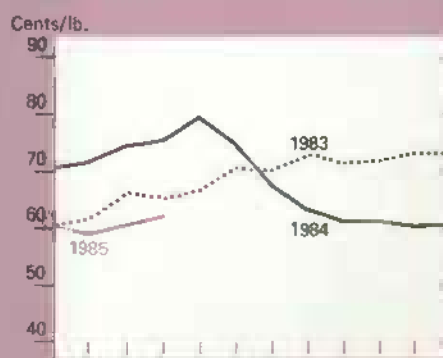
All milk



Sorghum grain



Cotton⁹



¹ Omaha. ² 600-700 lbs., Kansas City. ³ 7 markets.

⁴ Wholesale, New York. ⁵ Grade A Large, New York.

⁶ No. 2 Yellow, Chicago. ⁷ No. 1 Yellow, Chicago.

⁸ No. 1 HRW, Kansas City.

⁹ Average spot market, SLM 1-16 "

soybean meal use in 1985/86 as they continue to rebuild livestock inventories. Further expansion is also likely in selected Asian and Mid East markets that showed good gains this year.

Only a small gain in U.S. soybean exports is forecast for 1985/86, although a wide range of uncertainty surrounds this estimate. Stiff competition from South American exports has reduced the 1984/85 estimate to 670 million bushels, down 70 million from a year ago. [Roger Hoskin (202) 447-8776 and Jan Lipson (202) 447-8855]

• Cotton

Cotton planting is progressing well, with California and Arizona producers reported off to an especially good start. Because mill use and cotton exports will likely fall during 1985/86, the excellent planting start reinforces expectations that cotton stocks will be abundant next season. This is intensifying farmer's interest in the 1985 farm bill debate.

By May 12, U.S. cotton planting was 57 percent complete, compared with a 50-percent average. Some cotton acreage in the Southeast was slightly dry, but the region usually having the greatest difficulty with weather, the Texas and Oklahoma plains, was favorably moist.

Cotton farmers achieved record yields in three of the last four seasons, and this year is also starting out well. Production is forecast at 11.8 million bales, but could range between 10 and 13 million. Total cotton use during 1985/86 is estimated at about 10 million bales—indicating that stocks will probably increase about 2 million bales to 6 million.

Legislation potentially significant to cotton farmers is the Textile and Apparel Trade Enforcement Act of 1985, introduced in the House and Senate in March. The act would roll back U.S. textile imports in 1985 to about the 1980 level, and would allow quota growth of 1 to 6 percent a year. Passage would cause U.S. mill use of cotton to rise substantially.

However, the act could also cause U.S. raw cotton exports to fall because U.S. consumption of foreign textiles would drop. Foreign incomes would drop due to the restriction on exports, and some

foreign countries might retaliate against U.S. exports. Nevertheless, the Textile and Apparel Trade Enforcement Act has over 200 cosponsors in the House and 40 in the Senate.

Foreign cotton production may decrease 10 percent in 1985/86, to 64 million bales. The largest decline will occur in China where a new procurement policy is in place. Production declines are also anticipated in other countries. Foreign cotton area may decline in 1985/86 because relative prices favor other crops.

Foreign mill use is expected to rise 1 to 2 percent during 1985/86, most of it in China. Clothing replacement and Western fashions are being emphasized by China's government to update lifestyles and to help alleviate some of the raw cotton inventories. Technology is being imported to improve and accelerate textile production for export earnings. The decrease in consumption in the United States still leaves global use at more than 71 million bales.

International trade is forecast at 20.7 million bales. China, Australia, and Pakistan may continue their increased exports—prices and qualities are highly competitive. Exports from the USSR are expected to remain near last year's figure. Large stocks of foreign cotton and a rise in the U.S. loan rate from 55 to 57.3 cents a pound will constrain U.S. exports. Major foreign producers are likely to increase consumption more than importers, thereby limiting trade volume.

World stocks next season are projected to rise to 42.5 million bales, despite the downturn in production and the gain in raw cotton demand. China and other major cotton producers will continue to add to their ending stocks even if their exports increase.

For the 1984/85 season, the imbalance between global cotton production and consumption stands at almost 14.6 million bales. Production is estimated at 84.4 million bales, while world mill use is anticipated to be a record 69.8 million.

With a record cotton surplus expected on hand by August 1, 1985, carryover stocks will be around 39 million bales, an increase of about 60 percent over a year earlier. The sharp rise in stocks is concentrated in China. Foreign ending stocks not held by China will be the highest since 1981/82, significantly reversing the trend of the past two seasons. The 16.6-million-bale total

represents an increase of 2.3 million bales over last year. More than two-thirds will be held by net exporting countries, and more than half of that will be located in Brazil, Pakistan, and the USSR. [Terry Townsend (202) 447-8444 and Richard Cantor (202) 447-8054]

• Tobacco

Flue-cured tobacco supplies this season are 3.01 billion pounds, about 1.5 percent below last year. Marketings from the 1984 crop totaled 850 million pounds. Loan volume at 159 million pounds was 19 percent of sales, down from 23 percent in 1983 and 26 percent in 1982. Carryin stocks totaled 2.165 billion pounds.

During the 1983/84 marketing year, total use of flue-cured fell 4 percent, to 894 million pounds. Domestic use accounted for most of the drop. It fell to 441 million pounds because of reduced cigarette production and a shift to imported tobacco.

Exports also fell but only about 1 percent. Inhibiting exports are the strong U.S. dollar, the already high U.S. price, ample world supplies, and reduced cigarette consumption in some major importing countries. Domestic use of flue-cured may decline this season but exports are likely to be larger. Total use may rise 2 or 3 percent because of the surge in exports.

Flue-cured supply equals about 3.3 year's use, compared with a desired 2.4 years. The basic quota for flue-cured was reduced 3.7 percent, and the effective quota is 8 percent lower in 1985. Based on the February intentions survey, flue-cured acreage will decline to a record low of 361,000 acres in 1985, a drop of 8 percent from last year and 33 percent below the 1981 acreage.

With this acreage and normal yields, the crop will likely total about 730 million pounds. This will cut supply to between 2.83 and 2.85 billion pounds. However, even with this drop, supplies would continue to be more than adequate.

The projected 1985 flue-cured crop is only 96 percent of quota, while in recent years, producers have marketed about 100 percent of poundage quotas. But 1985 marketings, including 15 to 20 million pounds of tobacco produced in 1984, could turn out larger than 730 million pounds.

The 1984/85 burley supply rose to 2.02 billion pounds, up 9 percent from a year earlier. Supply is about 3.7 times the estimated disappearance.

The 1985 basic quota for burley tobacco is 525 million pounds, 10 percent below last year. Allowing for over and under quota marketing of last season, the effective 1985 quota is about 542 million pounds, down 21 percent from 1984.

Most of the 1984 tobacco crop has been sold. Maryland auction markets opened on March 19, and 22 million pounds had been sold by late April. Then prices averaged \$1.42 a pound, considerably above prices for the 1983 drought-stressed crop. However, average prices have declined since opening day.

Various proposals have been made to reduce the tobacco surpluses and make the United States more competitive in world markets. A recent proposal agreed to by a major cigarette manufacturer and the Flue-Cured Stabilization Cooperative would result in manufacturers and dealers buying all 805 million pounds of flue-cured loan stocks at discounts over 5 years. The 1976-81 crops would be most heavily discounted.

Similar negotiations are being made between the same major manufacturer, grower groups, and the burley loan cooperatives. But, at this point, the outcome of negotiations within the tobacco industry are uncertain.
[Verner N. Grise (202) 447-8774]

● Fruit

Harvested spring strawberry acreage, estimated at 27,900 acres in major producing States, is up 5 percent from last year. California's acreage, at 14,600, is almost 10 percent above 1984, and even with lower yields, the California crop is expected to be up 5 percent to 788.4 million pounds. This year's normal harvest contrasts with last year when the early harvest was heavy.

Because of the lighter shipments, the opening strawberry prices at shipping points in Southern California were

sharply above a year ago. As the season progressed and shipments increased, prices declined to \$3.50 a dozen 12-pint tray, size medium to large by late April, compared with \$4 a year earlier. Fresh market volume should peak in late May. As supplies increase, prices should drop below a year ago.

Strawberry crop conditions vary in other producing States. Most Oregon fields are in good condition, although planting progress is somewhat behind normal from a cool, dry spring. Overall prospects are for a normal crop: acreage will be about the same as last year but yields should be higher.

Strawberry fields in Washington are reported to be mostly in above average condition as of April 1. The New Jersey strawberry crop weathered the winter without significant damage, while Michigan strawberry producers are reducing acreage because of last year's low prices. The crop estimates for these States will be available on June 7.

The first forecast for the 1985 peach crop in the nine Southern States is 369 million pounds, down 52 percent from last year but 29 percent above the freeze-damaged 1983 crop. Because of winter freezes, smaller crops than last year are expected for all States, except Texas.

Freezes in January, March, and April damaged all varieties in the South Carolina Piedmont and early varieties in the rest of the State. North Georgia suffered extensive January freeze damage. The two frosts during bloom damaged peaches in north Georgia, and injured some varieties in central and south Georgia.

Consequently, the peach crop estimates for Georgia and South Carolina at 75 and 240 million pounds, respectively, were down 50 percent from 1984. However, the share of the total peach production from these two States increased from 83 percent in 1984 to 85 percent in 1985.

So far, through late April, there was no shipment of fresh peaches reported from the nine Southern States. With the smaller crop, the early season f.o.b. prices for fresh peaches are expected to be above last year.

The first forecast for California's 1985 sweet cherry crop is 26,000 tons, 30 percent less than last year but 55 percent more than the 1983 crop. Rain and wind during bloom were primarily responsible for the smaller crop. Although no shipments were reported by late April, opening f.o.b. prices should be well above a year ago because of the sharply reduced crop.

The first forecast for the 1985 California almond crop is 510 million pounds, shelled basis, down 13 percent from the record high 1984 crop, but still 111 percent above the small 1983 crop. The 1984/85 shipments through April were running well above a year ago, primarily because of a 51-percent increase in exports. Most of the increase was attributable to increased exports to West Germany and the Soviet Union, which took a combined 42 percent of almond exports for this season through March.

Despite the increased shipments, the sharply larger 1984/85 supply is still expected to result in carryover stocks well above a year ago. So, even with a smaller crop, the 1985/86 supply will still be larger. In light of this large supply, prices growers receive for almonds are not likely to rise appreciably. [Ben Huang (202) 447-7290]

● Vegetables

Replanted winter and spring acreage in Florida was harvested through May 31. This overlap of the winter and spring harvests, caused by replanting from the January freeze, sent grower prices for tomatoes down 12 percent from a high of \$58.20 a cwt between February and April.

January to June U.S. tomato production should increase 9 percent over last year, mainly because of a 16-percent increase in Florida's output. The Texas spring onion harvest is expected to reach 3.74 million cwt during 1985, up 12 percent over last spring, although a cold, wet spring lowered yields in most areas.

Vegetable supplies traditionally shift north as summer approaches. Because of the driest spring in the East since

1941—supplies from drought-affected areas may decrease in June. However, in the West, where vegetable acreage is irrigated, production should make up for the reductions. High grower prices in first-half April likely will keep the second-quarter average index of fresh-market vegetable prices 2 to 5 percent above last year's 125 (1977=100).

The estimated spring quarter harvest of seven major vegetables (broccoli, carrots, cauliflower, celery, sweet corn, lettuce, and tomatoes) was 162 million acres, up 2 percent from last spring. California is the largest producer of broccoli and cauliflower. Although its broccoli acreage was down 2 percent, cauliflower acreage rose 10.

In Texas, area planted to carrots fell 17 percent. For tomatoes, Florida, the largest tomato producer, increased area 16 percent. While, Arkansas, although a minor producer, increased acreage 13 percent. These increases will offset reductions of 22 percent in California and 9 percent in South Carolina.

Prices are steady for both canned and frozen vegetables with isolated discounts available. Prices will likely inch up as stocks seasonally decline through the summer. However, stocks are still above last season's. Canned pea shipments through March 1 were off 4 percent and canned green bean and corn shipments through February 1 trailed last season's by 4 and 5 percent, respectively. The April 1 stocks of vegetables in cold storage were 2 percent higher than a year earlier. [Shannon Hamm (202) 447-7290]

• Sugar

World sugar production is estimated to exceed consumption by 3.5 million tons, adding to already excessive world stocks. Further, early reports from Europe show increases, albeit small, in sugarbeet plantings. Therefore, there continues to be no firm prospects for price increases. World raw sugar prices (f.o.b. Caribbean) in early May fell below 3 cents a pound. Prices averaged 3.68 cents for first-quarter 1985, compared with 5.18 cents in calendar 1984. World centrifugal sugar production in 1984/85 is estimated at 99 million metric tons, up 3.2 million tons from a year earlier.

The U.S. spot price for raw sugar (N.Y. contract no. 12) continues below the U.S. market stabilization price (MSP) of 21.57 cents a pound set for fiscal 1985. After averaging 20.67 cents a

pound in first-quarter 1985, the price remained between 20.80 and 21.17 during April and the first half of May. Stocks at the end of fiscal 1985 are forecast at about 1.4 million tons, or 16.5 percent of total domestic use, after allowing for Florida's record output of 1.41 million tons, raw value.

Average U.S. retail prices for sugar continued steady. Retail prices for the quarter averaged 35.9 cents, down 2 percent from a year earlier.

The future of the 13 sugarbeet processing plants formerly run by the Great Western Sugar Company (GW), which has declared bankruptcy, has begun to crystallize. On April 5, Tate and Lyle, Inc., bought GW's 6 plants in Montana, Wyoming, and Nebraska. On April 19, the GW beet processing plant in Ohio was sold to Michigan Sugar Company, a subsidiary of Savannah Foods and Industries. This plant, previously operated as Northern Ohio Sugar Company, a subsidiary of GW and renamed Great Lakes Sugar Company, has contracts for the planting of 19,000 acres.

The Mountain States Beet Growers Association sought the remaining six processing plants in Colorado and Kansas. However, the Association was unable to obtain adequate financing, and the plants will not operate this year.

On May 1, GW notified the CCC that it intends to forfeit the 51.8 million pounds of refined sugar that it holds as collateral on CCC loans due May 31. GW also holds 165.1 million pounds of sugar as collateral on loans due June 30 and another 56.7 million on loans due July 31. CCC must be notified at least 30 days before any forfeiture. However, there is no requirement that the loan must be forfeited after notice has been given. [David Harvey (202) 447-8666]

Upcoming Crop Reporting Board Releases

The following list gives the release dates of the major Crop Reporting Board reports that will be issued by the time the June Agricultural Outlook comes off press.

June

3	Poultry Slaughter
4	Dairy Products
5	Celery
7	Vegetables
10	Crop Production
13	Turkey Hatchery
14	Milk Production
19	Catfish
20	Vegetables
21	Livestock Slaughter
	Cold Storage
	Cattle on Feed
24	Eggs, Chickens, & Turkeys
28	Agricultural Prices

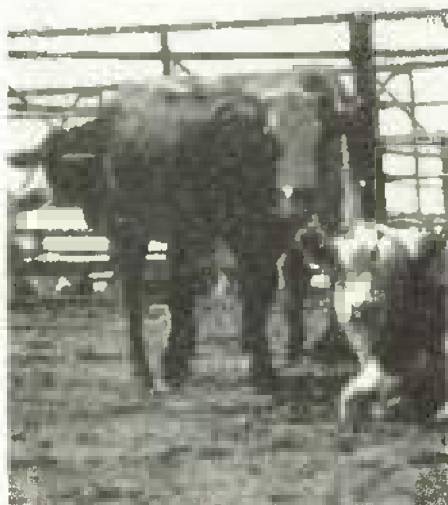
Reports are available through subscription only. For subscription information, write or call Jerry Clampet, SRS, Crop Reporting Board, Rm. 5809, South Bldg., Washington, D.C. 20250; (202) 447-2130.

USDA To Offer New Information Service

On July 1, 1985, USDA will initiate a new electronic information service that will electronically transmit news items and reports considered to be perishable because of their timeliness. Although several USDA agencies already use electronic dissemination for their perishable reports, this is the first time all materials will be available from a single point.

Information to be transmitted on the service will basically include those items the domestic and world agricultural communities must have immediate access to. Look for it to include USDA market reports, crop and livestock statistical reports, economic outlook and situation reports, foreign agricultural trade leads, export sales reports, world agricultural roundups, and USDA press releases.

For more information on the service, contact Joseph F. Greburger or Charles H. Rider, Martin Marietta Data Systems, 6301 Ivy Lane, Greenbelt, MD 20770 (301) 982-6792.



World Agriculture & Trade

World Livestock Outlook

Global meat production rose 2 percent in 1984 after increasing 3 percent the year before. Since production in the United States increased only 1 percent, most of the growth was in foreign output. Feed prices remained high until late in the year and this hurt producers' returns. Slow growth in consumer incomes kept demand sluggish.

Meat production in 1985 may grow 1 percent, on the strength of increased foreign output. U.S. production is forecast to decline 1 percent as declines in red meat are not fully countered by gains in poultry. Lower feed prices will likely help relieve the cost/price squeeze producers have been caught in, but demand gains will slow because of limited increases in consumer incomes.

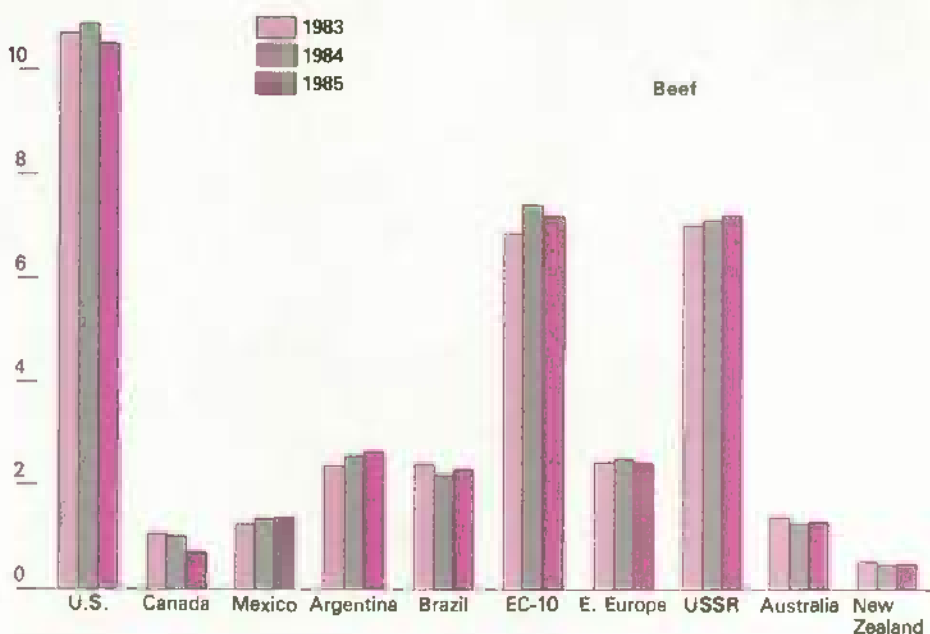
Beef's Share Falls Slightly

Cattle inventories fell marginally during 1984, as a result production of beef and veal rose nearly 2 percent to 42 million metric tons. Output has only risen slightly for the past 2 years. Foreign beef production could rise a little this year, but with a 3-percent drop forecast for the United States, total output may show a slight decline.

World Beef and Pork Production In 1985 Shows Marginal Drop

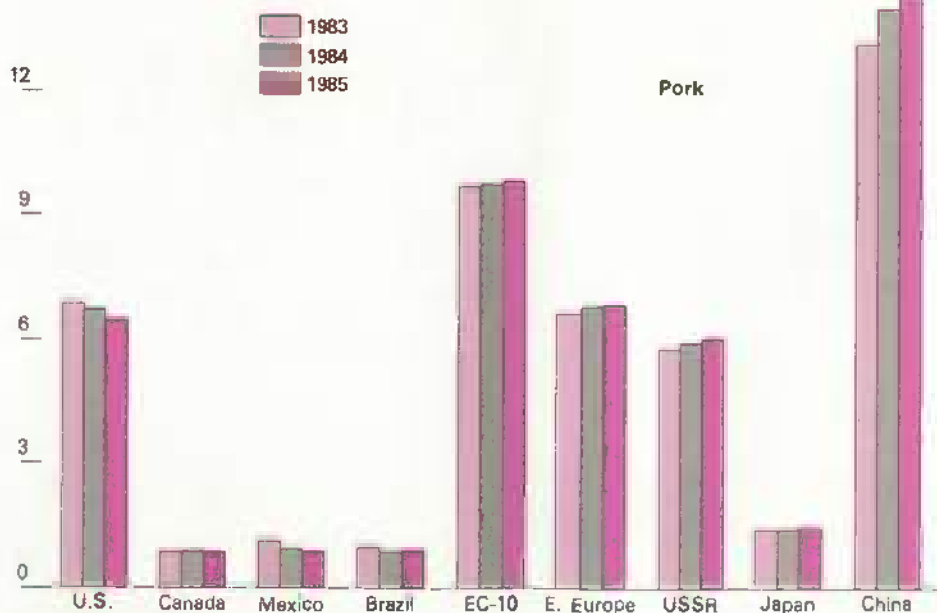
Mil. metric tons

12



Mil. metric tons

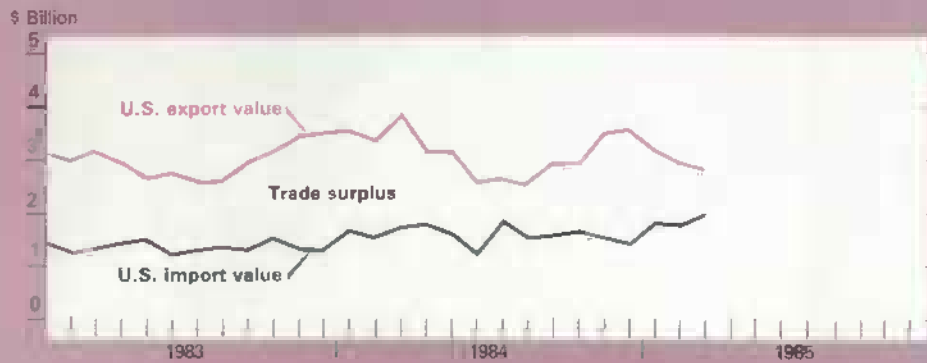
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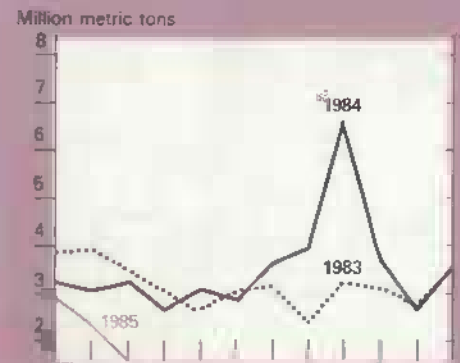
1984 preliminary. 1985 forecast.
Estimates as of May 1, 1985.

U.S. Agricultural Trade Indicators

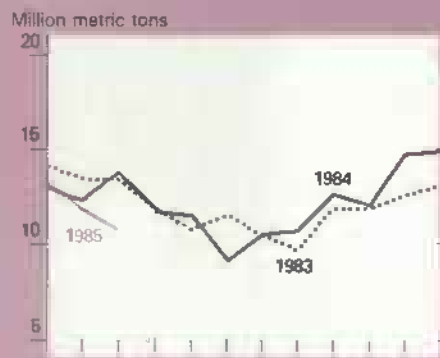
U.S. agricultural trade balance



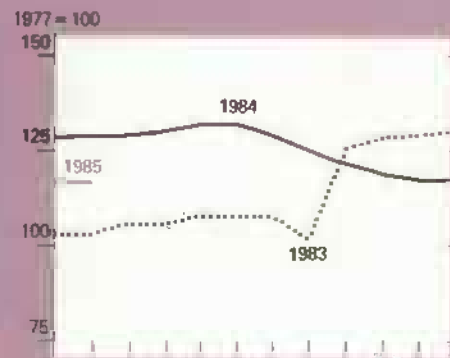
U.S. wheat exports



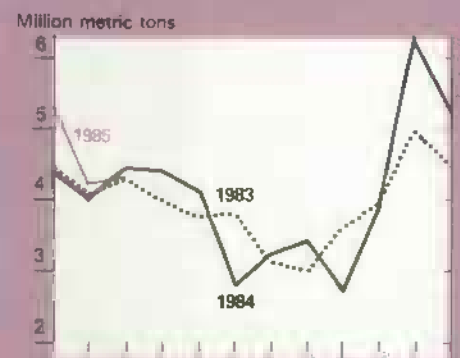
Export volume



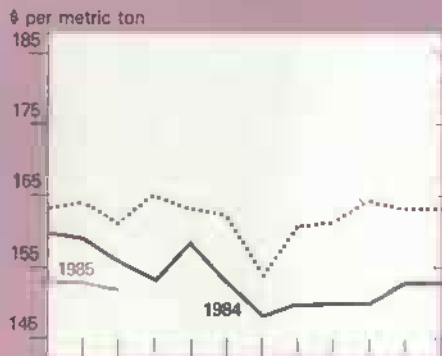
Export prices



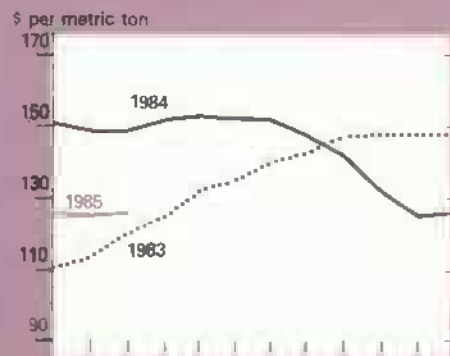
U.S. corn exports



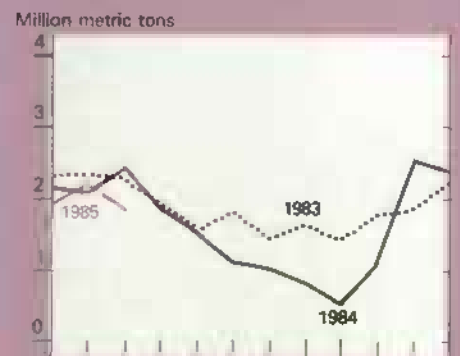
Wheat export unit value*



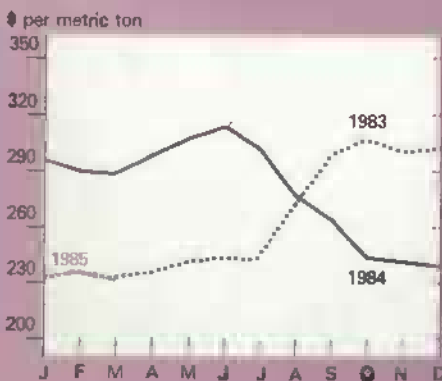
Corn export unit value*



U.S. soybean exports



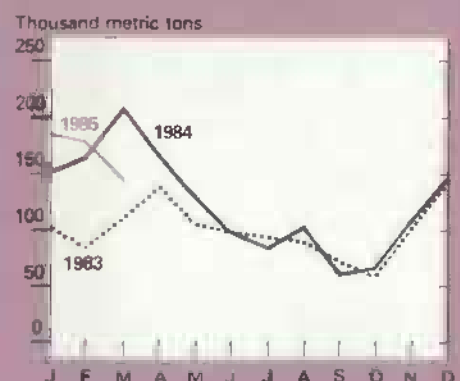
Soybeans export unit value*



Cotton export unit value*



U.S. cotton exports



*Value of U.S. exports divided by volume exported. Data on the wheat, corn, soybean, and cotton exchange rates are now included in the U.S. Agricultural Trade tables at the back of this issue.

Production by the major exporters in 1984 was up, but it also increased for the major importers. Although exports from the EC to third world countries rose 56 percent, to 754,000 tons, exports were down from Australia, New Zealand, and Argentina. Brazil's exports continued to rise, but much more slowly than previously anticipated.

Overall trade declined in 1984 and beef and veal stocks climbed. Global exports could increase substantially this year. Output in the major importers is forecast to be down which could fuel increased imports. EC exports are likely to continue high and there could be some increase in beef exports from Australia and New Zealand. The major exporters are quite concerned about possible flooding of additional traditional markets with subsidized EC beef.

The United States, the largest beef and veal producer, increased output 2 percent last year. Poor financial returns, the need to generate additional cash flow, and drought in some areas all contributed to the increased slaughter. With continued inventory declines and reduced cow slaughter, output could drop 3 percent this year.

The United States is also the largest importer of beef, mainly for manufacturing use. With increased domestic output last year and declines in production in the major suppliers, imports dropped 5 percent to 838,000 metric tons. Imports are forecast to remain about the same this year. Exports of high-quality beef are expected to continue to increase because of the higher negotiated beef quota with Japan, the major market for U.S. beef.

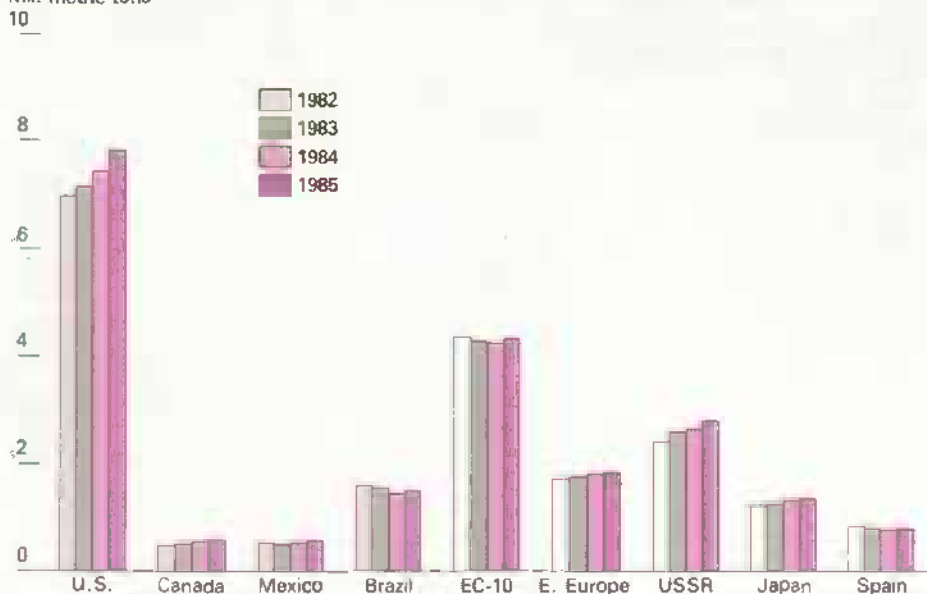
The USSR, the second largest producer and importer, has experienced some problems with feed supplies. So, output may gain between 1 and 2 percent in 1984 and 1985 and inventory expansion may slow.

EC Dairy Program Boosts Beef Supplies

The EC had a surge in beef production in 1984 because of attempts to control dairy surpluses. In the EC, the dairy herd supplies most of the beef, either through calves retained for beef production or culling of cows. As dairy herds were reduced, beef production stocks and exports expanded rapidly. Output in 1985 is expected to be slightly below last year's record if dairy culling decreases, and exports are forecast to remain at record highs.

Poultry Gains Quicken in 1985

Mil. metric tons



1984 preliminary. 1985 forecast.
Estimates as of May 1, 1985.

Stocks of beef in the EC climbed to a record 836,000 tons at the end of 1984, compared with an average 354,000 tons in 1981-83.

In Australia and New Zealand, major exporters, beef production was down in 1984, reflecting reduced export demand and some herd rebuilding from the low current levels. Herd growth should continue this year. With some increase in output expected in 1985, exports are also forecast to gain.

Brazil's beef output declined during 1984, mainly because of lower domestic demand. Eroding consumer purchasing power and high inflation rates there should continue into 1985, but some recovery in the economy later in the year could increase price stability and improve output. Brazil's beef exports have risen spectacularly in the last several years, from an average of 150,000 tons during the 1970's to 500,000 tons in 1984. Higher exports from the EC and lower USSR imports may negatively affect Brazilian exports in 1985.

In Japan, beef and veal production rose 8 percent in 1984, mainly because of a combination of increased slaughter and heavier slaughter weights. Rising beef imports and low calf prices will lower production in 1985, but rising imports should keep consumption up.

Hog Producers' Problems Caused By High Feed Costs

Global hog inventories grew 4 million head during 1984, or less than 1 percent. Reduced profits last year induced producers to trim operations, particularly in the United States. High feed costs, which did not begin abating until late 1984, and unavailability of suitable feeds in some countries made their problems worse. Lower feed costs this year will help, but inventories could remain down until later in the year.

Global pork output rose only 2 percent during 1984 to 52 million metric tons. The United States, the second largest producer after China, cut output 2 percent, while foreign output rose 3 percent. In 1985, the growth in pork output should wind down even further, as output in the United States falls 3 to 4 percent and foreign output gains only 1 to 2 percent.

Pork trade continued to increase during 1984 as shipments from Denmark to non-EC countries picked up. Increased shipments from China and Taiwan, as well as Canada and Hungary, also contributed to the rise. For 1985, increasing production in the major foreign importers, coupled with smaller output gains in the major exporters, could signal a slowing in world pork trade.

Pork production declined in the United States last year and is expected to decline even further in 1985. Unfavorable returns over a period of years are distressing operators. Even with current lower feed costs, producers may not increase herd size and production until next year. Large quantities of live hogs from Canada and pork from Canada and Denmark are being imported. The Department of Commerce has made a preliminary ruling that Canada's exports of live hogs and fresh, chilled and frozen pork products are being subsidized. A final determination on subsidization will be made on June 10. If the ruling is affirmative, an additional determination whether material injury has occurred will be made within 45 days.

The Federal Republic of Germany, producing almost 34 percent of the EC's pork, saw little rise in pork output last year. Returns rose slightly in 1984, and with lower feed prices in 1985, additional improvement is forecast. So, even with increased beef supplies, pork output and consumption is likely to rise 2 percent. France reacted to the low market prices and increased feed costs last year by increasing slaughter and reducing inventories. As a result, output is expected to be down in 1985, increasing their need for pork imports.

Denmark's pork output changed little in 1984 and total trade fell slightly. However, exports to non-EC countries increased substantially. Since restrictions on their fresh meat exports (caused by an outbreak of hoof-and-mouth disease) have been lifted, Denmark has increased shipments to Japan and the United States. Exports this year may continue at last year's high level.

Tight feed supplies in the USSR have hampered the growth in pork production and caused some inventory draw-down. With better domestic feed supplies expected this year, output should recover and exceed 1984 by 2 percent for the year.

Output in Eastern Europe increased in 1984, mainly because of gains in East Germany, Hungary, and Yugoslavia. In East Germany, overall feed output was favorable, and production of feed potatoes and beets was very good. Although reforms to raise producers' prices were instituted in January 1984, lower consumer prices will be maintained through subsidies.

In Yugoslavia last year, forced slaughter was high because of a particularly tight cost/price squeeze. Conditions should improve in 1985 because of the record corn crop and lower prices for imported protein feeds. Poland's hog population is recovering from heavy slaughter in 1983, resulting from inadequate feed supplies. Supplies are now greatly improved, prompting the expected expansion.

Pork output in Japan last year remained virtually the same as in 1983. Slaughter weights were lighter because of an unusually hot summer, but hogs available for slaughter increased marginally. Pork for processing, accounting for one-quarter of pork demand, showed the greatest growth last year, up 5 percent. Imports, which come mainly from Denmark, Taiwan, Canada, and the United States, jumped to a record 285,000 tons, or 17 percent of consumption. Production should increase 2 percent in 1985, and import demand could slacken.

Poultry Production Up, Trade Down
Global poultry meat production was up 2 percent to 24 million metric tons in 1984. Volume of traded poultry meat fell again in 1984. Increased production in the major importing countries kept world import demand down last year. This, along with higher feed prices through much of last year, is the main reason 1984 production fell in the major foreign exporters, France, Brazil, and Hungary.

Continued production gains in the major importers, climbing U.S. output, and possibly some growth in the major exporters could bring global production to nearly 25 million tons this year. However, the growth in major exporters will be channeled into increased domestic consumption.

While foreign output rose only 1 percent last year, production in the United States grew 4 percent, picking up after several years of higher output from competing meats and higher feed prices. During 1985, U.S. poultry output could grow even faster, reaching 8 million metric tons. Smaller supplies of other meats, along with lower feed prices should give the poultry industry

an extra boost. Exports, however, will continue to slide, as Brazil and Thailand are likely to continue making inroads into Japan and other major U.S. markets.

Soviet poultry production continues to expand, although more slowly than during 1980-83, because of tight feed supplies. As their production increases, the Soviets cut back on imports. Hungary experienced a decline in exports last year, and problems with feed allocation kept poultry output and consumption down as well. These conditions should continue during 1985.

An increase in Poland's allotment of imported grain to the broiler industry last year accounted for the one-third increase in production. This is still considerably below 1981, after which imports of feed grains fell dramatically because of debt problems. If grain allotments continue during 1985, output could remain at the higher level.

Brazil's output of poultry meat declined 8 percent in 1984. Domestic consumption and exports both fell. Some improvement in consumer purchasing power in 1985 could increase domestic demand, spurring production increases.

French poultry meat output also fell in 1984, but only 2 percent. Production for export was down, but increased domestic consumption helped keep output from falling further. Exports declined in 1984 because of lower shipments to the USSR and Middle East. Exports in 1985 are forecast to remain at about 1984 levels. Thus, any production gains will again depend on an increase in domestic demand.

Production in Japan expanded because of stable feed prices. However, the increased output weakened prices and discouraged production gains this year. Imports remained at about the same level, with increased competition for U.S. exporters from Thailand and Brazil. [Linda M. Bailey (202) 447-4863]



General Economy

The general economy is expected to keep growing without any acceleration in inflation. Despite sluggish real gross national product (GNP) growth of 1.3 percent in first-quarter 1985, a recession in 1985 is unlikely. Most analysts expect GNP growth for the last 3 quarters of 1985 to be between 2 and 5 percent. However, some analysts are forecasting a slowdown, with GNP growth below 1 percent.

The current environment suggests an inflation rate at or below that of 1984. Interest rates will likely be below the average rates in 1984 as the Federal Reserve Board (Fed) continues a relatively accommodative monetary policy. The unemployment rate will likely rise slightly; employment growth in the last 8 months of 1985 may not keep up with growth in the labor force. The longer term outlook will be strongly influenced by the budget reduction proposals, and to a lesser extent, by tax reform possibilities.

Poor Export Performance Drags GNP First-quarter GNP growth was weaker than expected. The chief reason for the slow growth was a trade deficit of \$26.1 billion. Had exports equaled imports, with inflation unchanged, GNP would have risen 7 to 8 percent. Other factors contributed as well: Federal purchases were smaller and consumer spending on nondurables was down, reflecting a sharp decline in real per capita personal income.

Consumer demand for durables in the first quarter rose because of lower consumer interest rates. Output from service industries also grew despite the decline in personal income, reflecting delayed impacts of strong personal income growth since 1982 and the relatively low price increases in this sector.

The large declines in net exports took \$12.7 billion directly off GNP growth in first-quarter 1985. The trade deficit widened largely because exports dropped. For only the second quarter ever, the United States became a net importer of capital goods. The drop in net exports was the first in this recovery not caused solely by rapid import growth. The export drop is attributable to a slowdown in the growth of our trading partners, as well as the strong dollar.

The other dominant feature in the overall economy was the drop in real disposable personal income in the first 3 months of 1985. Long delays in IRS tax refund processing and a sharp rise in the energy component of the GNP deflator helped cause a 1.7-percent drop in personal disposable (after-tax) income. On a per capita basis, disposable income dropped 2.7 percent.

Because of weak real growth and loosening by the Fed, interest rates fell across the board in the second half of the quarter. By the end of the quarter, T-bills had dropped to roughly where they had been at the beginning of the year. Interest rates in late March were generally below those prevailing in fourth-quarter 1984. People drew on their savings to purchase big-ticket items, so automobile and appliance sales were strong despite weak personal incomes.

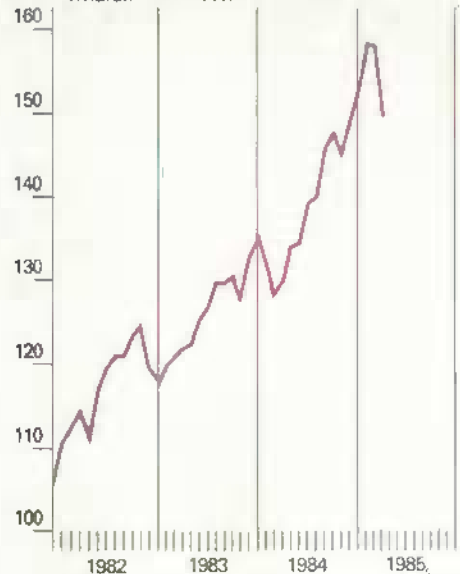
Economy To Remain Strong Through 1985

The increasing dependence of the U.S. economy on the rest of the world makes forecasting more hazardous. If present international conditions and Federal Reserve policy continue, the consensus appears to be a 3- to 4-percent real GNP growth during the rest of the year. Strong but slower growth in investment, coupled with good growth in the demand for services and consumer durables, will likely continue the recovery through 1985.

Disposable personal income should recover in the second quarter. Continued moderate inflation will likely allow the

Trade Weighted Dollar Shows Continued Strength

Index (March 1973 = 100)



Source: Federal Reserve Board

Fed to continue a relatively accommodative monetary policy, keeping interest rates relatively low. Housing and consumer durable spending will continue to grow as personal income strengthens and interest rates rise only moderately.

Given relatively low inflation, moderate interest rates, and strong final sales, investment will increase moderately in the second and third quarters. Corporate profits probably will not grow because of competition from international sources and external funding will be required to finance plant and equipment investments. Therefore, interest rates may rise about midyear.

GNP growth in the second and third quarter will be between 3 and 4 percent. However, fourth-quarter growth probably will fall below that as net exports continue to decrease and higher interest rates begin to restrict investment.

Large Deficits Haunts

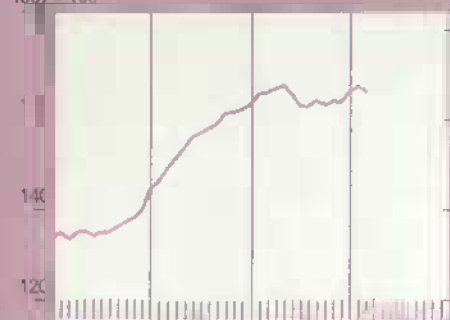
Long-Term Growth Prospects

Action on taxes and the budget could materially alter this outlook. If the structural deficit is significantly reduced in a way credible to the financial community, interest rates will

General Economic Indicators

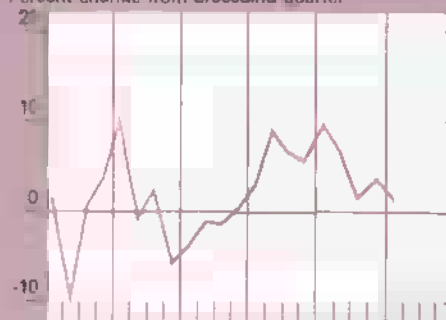
Composite leading economic indicators

1967=100



Gross national product¹

Percent change from preceding quarter



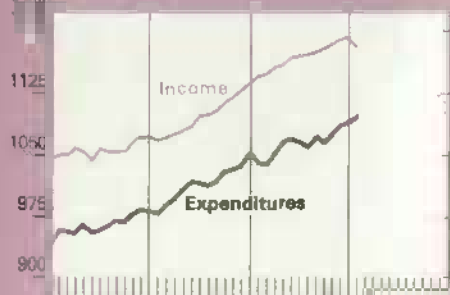
Industrial production

1967=100



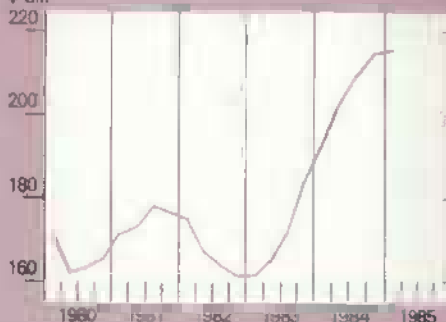
Disposable income and consumption expenditures²

\$ bil.



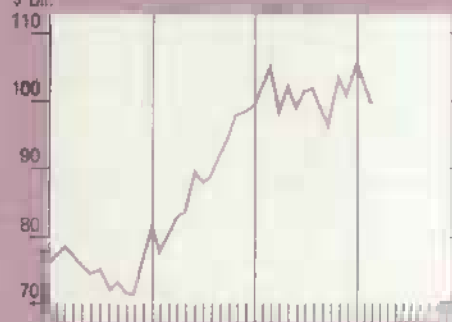
Nonresidential fixed investment²

\$ bil.



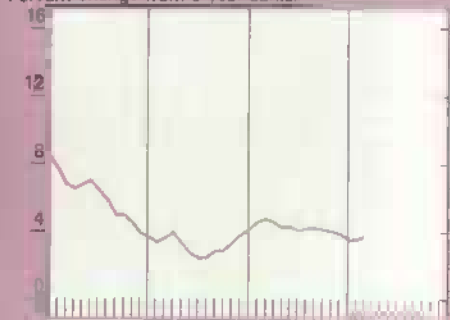
Manufacturers' durable goods orders³

\$ bil.



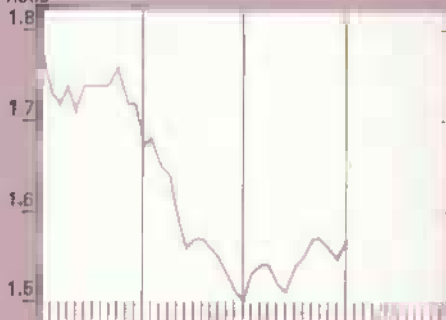
Consumer price index

Percent change from a year earlier



Inventory/sales⁴

Ratio



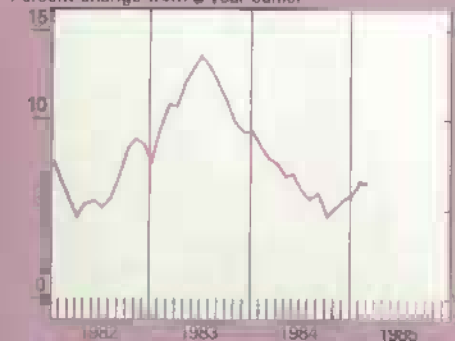
Unemployment rate⁵

Percent of all civilian workers



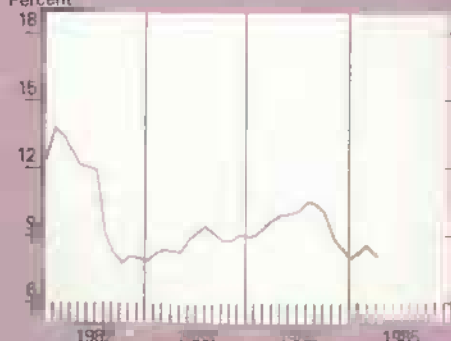
Money supply (M1)

Percent change from a year earlier



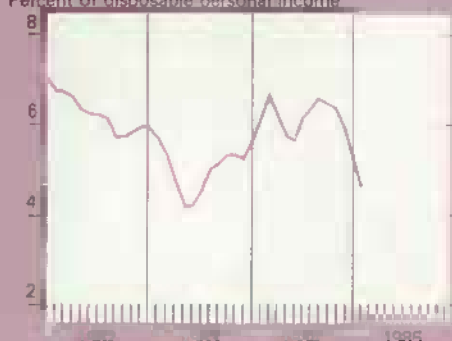
3-month treasury bill rate

Percent



Savings rate⁶

Percent of disposable personal income



¹Percent change from previous quarter in 1972 dollars. Seasonally adjusted annual rates. ²Billions of 1972 dollars, seasonally adjusted at annual rates.

³Nominal dollars. ⁴Manufacturing and trade, seasonally adjusted; based on 1972 dollars. ⁵Seasonally adjusted.

⁶Calculated from disposition of personal income in 1972 dollars, seasonally adjusted at annual rates.

Sources are: U.S. Dept. of Commerce, U.S. Dept. of Labor, and the Board of Governors of the Federal Reserve System.

fall—particularly long-term rates. This will tend to stimulate the economy immediately through increased consumer durable sales and housing investment. However, if large structural budget deficits continue, inflation may be higher in the future because the Fed may have to ease monetary policy to accommodate the deficit.

A reduction in near-term deficits will likely make growth lower than it otherwise would have been. A major budget reduction in fiscal 1986 would cause fourth-quarter 1985 GNP growth to be curtailed and first-quarter 1986 growth would almost certainly be slower. The lower interest rates and the probable weaker dollar coming from deficit reduction would increase U.S. exports and thus aid U.S. agriculture even in the near term.

Lower interest rates and a weaker dollar would aid long-term economic growth and, overall, would likely bring lower inflation. The risk of a major problem in the banking, farm debt, or savings and loan sectors would be greatly reduced. Without significant action on the structural deficit, major difficulties in any one of these areas could lead to a 2- to 3-year general stagnation.

Tax reform could have many effects. One major impact of the Treasury proposal would be to reduce long-term bond rates. If the top marginal tax rate is cut and financial returns are indexed to offset inflation, savings incentives and thus the supply of savings would increase.

This, together with a more neutral treatment of various investment activities, would likely increase the efficiency of investment, while probably lowering the growth rate of the capital stock. The greater supply of and lower demand for investment funds would lower interest rates. A reduction in interest rates would significantly lower the growth rate of farm expenses, raising net farm income above what it would have been otherwise. [David Torgerson (202) 447-7340]



Transportation

Railcars and barges available to move grains and soybeans for domestic consumption and exports remain plentiful. In fact, they are more than adequate to meet foreseen needs.

Railcar loadings of grain and soybeans in the first quarter of 1985 averaged nearly 20 percent (5,300 cars a week) below the same quarter last year and 12 percent below the 1984 average. This decline appears to come chiefly from reduced corn exports through Pacific Coast ports. Despite slackening in the amount of grain traveling by rail, the inventory of jumbo covered hopper cars (100-ton capacity) continues to grow. The 231,000 car fleet, which was more than adequate to meet 1984's needs, has grown to 239,000 cars.

Early indications are that the decline in rail loadings of grain has intensified. During January-March, railcar loadings of grain averaged 23,000 to 24,000 cars a week. In April, only 20,000 cars a week were loaded. Car loadings in 1985 are unlikely to achieve 1984's average of 27,000 a week, unless Asian market opportunities for U.S. corn markedly improve.

Probably reflecting volume declines, railroad rates for grain (Bureau of Labor Statistics, Dept. of Labor) declined very slightly in March from the January level. Rail rates in March for grain remained slightly above the 1984

average. If rail shipments continue at current or lower levels, further declines in rail rates can be expected.

Rail shipments of grain mill products and primary forest products have also been running somewhat below last year. This suggests that shippers of these commodities will also find railcars in good supply and might be able to negotiate modest rate reductions.

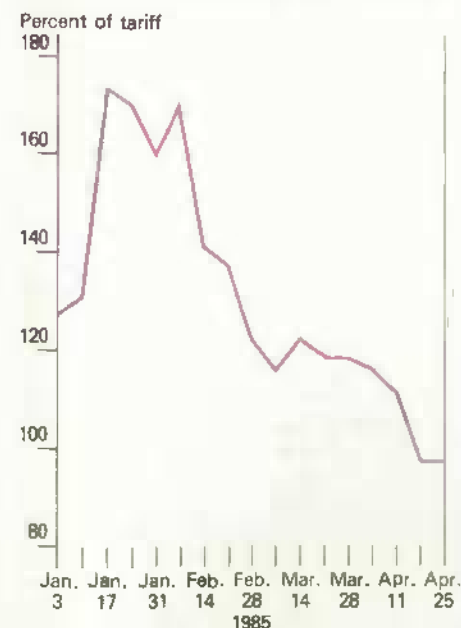
Barge Rates Are Below Last Year's
Barge loadings peaked at a record average of 56,700 bushels of grain a week in November 1984, then declined seasonally to 30,000 in February 1985. Barge shipments of grain during the first quarter, however, averaged 13 percent above the first quarter of 1984, perhaps because rates were more favorable than those for rail.

As long as grain exports remain at current low levels, barge rates are unlikely to rise much. Operating cost pressures, however, render unlikely any more major rates declines.

In April, barge rates were only 6 percent above pre-1980 levels. According to industry sources, barge rates have averaged at or below variable costs since 1982. Costs of operating barges are slated to rise on October 1, 1985, when the existing inland waterway fuel tax increases from 8 to 10 cents a gallon.

Legislation recently introduced in the Senate to bring user fees more in line with actual costs of maintaining the

Barge Rates to New Orleans Dropping*



waterways would increase operating costs still more. Under its terms, a user fee of 1.5 mills per ton per mile would be imposed on July 1, 1985. Based on 1982 data (the most recent available), this tax would increase barge operating costs by \$325 million a year. Tax revenues from just grain shipments would amount to nearly \$113 million, or 35 percent of that total.

In the first quarter of 1985, between 1,400 and 1,700 empty barges were tied up at lower Mississippi anchorages. Other empty barges have been available along the upper river system. If grain exports do increase, these barges could be rapidly put into use.

Falling Exports Close Elevators

In March, 1985 total U.S. exports of grain and soybeans fell to 276 million bushels, 47 percent below December 1984. The decline was most pronounced at Atlantic Coast ports (48 percent), followed by U.S. Gulf ports (45 percent) and Pacific Coast ports (35 percent). Normally, the seasonal closing of the Great Lakes during January-March diverts some traffic to the other coasts, resulting in at least a mild upswing during the first quarter. As the Great Lakes reopened in April, grain exports through the Atlantic coast declined 21 million bushels (56 percent) from March while the U.S. Gulf increased nearly 20 million bushels (11 percent).

The downturn experienced this first quarter has caused the temporary closing of some export elevators. In March, 10 export elevators showed no activity. The East Gulf and Pacific Coasts have each closed four and the Atlantic Coast and West Gulf one each. Despite a slight upturn (4 percent) in April, all ten elevators remain closed. This indicates that should export demand for U.S. produced grain return to 1980 levels, there would be plenty of facilities available.

Ocean Rates To Remain Low

The excess capacity found in the inland transportation system also prevails in ocean shipping. Ocean freight rates for heavy grain shipments to major European and Asian customers in the first quarter of 1985 remained nearly constant or declined. *[T.Q. Hutchinson (202) 447-8707]*



Recent Publications

USDA's Economic Research Service publishes a number of research reports, statistical supplements, handbooks, and other periodicals that may be of interest to you as an Agricultural Outlook reader.

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Do Bank Size and Metro-Nonmetro Location Affect Bank Behavior? RDRR-47. 20 pp. April 1985. (Price \$1.00). Stock Number: 001-019-00392-8.

Do USDA Farm Program Participants Contribute to Soil Erosion? AER-532. 84 pp. April 1985. (Price \$3.00). Stock Number: 001-019-00383-9.

Developmental Consequences of Unrestricted Trade. FAER-213. 20 pp. April 1985. (Price \$1.00). Stock Number: 001-019-00391-0.

Formation of the 1985 Farm Bill

The House and Senate Budget Committees draft budget resolutions for their respective chambers to consider. A conference committee resolves any differences between the two resolutions. This compromise version is then approved by both houses. Once the resolution has passed, it sets targets for revenues and spending and is used as a guideline for other committees to follow when considering legislation under their jurisdiction. Budgetary consideration may limit the options the committees and subcommittees can realistically consider when putting together a farm bill.

Legislators are currently introducing bills to replace the Agriculture and Food Act of 1981. Agricultural bills are referred to the Senate Committee on Agriculture, Nutrition, and Forestry or to the House Committee on Agriculture. Once either of these committees receives farm bill, the chairman may assign it to a subcommittee for initial hearings and study by members and aides.

During the hearings, testimony is taken from various sources: Government officials, outside experts, and special interest groups. Then each subcommittee "marks up" its section of the farm bill. This means they debate and vote on the final wording before they send it to the full committee. The full committee may ratify the subsections as received from the subcommittees or it may hold more hearings and mark up another version of the bill.

The farm bill, accompanied by the committee's report, will then be received by the full House or Senate. On the floor, after a bill is debated and possibly amended, a vote will be taken. If passed, the bill will go to the other chamber and follow the same committee and floor stages.

If a related farm bill has already passed the other chamber or if the chamber alters the bill sent to it, a conference committee is formed to work out the differences. A bill must pass both houses in identical form before it can be sent to the President. As with the budget, when a compromise is reached, the conference version is sent back to the House and the Senate for a vote. If approved by both chambers, the farm bill can then be sent to the White House for Presidential action.



Farm Bill Debate

Every 4 years since 1973, Congress has enacted new legislation governing the production and marketing of farm products. While some form of farm legislation has been enacted every year since 1970, Congress has typically limited updating the entire package—commonly referred to as the farm bill—to the year following Presidential elections.

Legislation dealing with commodity prices and income supports for the major field crops and dairy have traditionally received the widest attention. However, all the major farm products are affected directly or indirectly. Successive laws have also been expanded to deal with a much broader range of activities involving trade, conservation, food assistance, rural development, as well as commodity supports.

Much of the 1981 Agriculture and Food Act (P.L. 97-98) will expire this fall or will be replaced by permanent legislation if Congress fails to pass or the President vetoes new farm legislation. Among the commodity support programs, authority for target prices and deficiency payments, payment limitations, acreage diversions, and the dairy price support levels enacted in 1983 will expire this fall. Among the trade programs, authority for P.L. 480 will expire. The major conservation and rural development programs, however, would continue largely unchanged.

The commodity support and other farm programs that continued would revert to the provisions called for in their enabling legislation dating back in some cases to the 1930's and 1940's. This reversion to permanent legislation is unique to agriculture. Many of the farm bills passed over the last two decades have suspended, rather than rescinded,

the original legislation establishing the programs in question. Among the most notable characteristics of the permanent statutes are their commodity price supports set at a minimum of 50 percent of parity for crops and 75 percent for dairy and their minimal to nonexistent supply control provisions.

Eleven comprehensive bills have been introduced to replace the 1981 farm bill since the opening of the 99th Congress (see special section in this issue). H.R. 1420/S. 501 was introduced as the Reagan Administration's farm bill, the Agricultural Adjustment Act of 1985 (AAA). The others include H.R. 1965/S. 908 introduced for the American Farm Bureau Federation, S. 250 by Senator Pressler, S. 616 introduced by Senator Helms, S. 843 by Senator Cochran, S. 1041 by Senators Boschwitz and Boren, S. 1051 by Senator Zorinsky, H.R. 1656 by Congressman Glickman, H.R. 1912 by Congressman Stenholm, H.R. 2017 by Congressman Rose, and H.R. 2100 by Congressman de la Garza.

The bills all differ to some degree. The AAA, for example, has several unique characteristics including provision for a 15-year, rather than a 4-year, program. If passed, it would also rescind most permanent legislation. The other bills last 4 to 8 years and suspend, rather than rescind, permanent legislation.

However, several common themes run through many or all of the proposals. Among the most pronounced theme is more market-oriented price and income support programs. Most of the bills emphasize more aggressive export marketing and trade liberalization, and more comprehensive soil and water conservation programs tied directly to commodity support programs.

MARKET-ORIENTED PRICE AND INCOME SUPPORTS

Most of the bills emphasize more market orientation in the setting and operating of price and income supports. The degree of market orientation is generally gauged by the extent supply and demand forces determine commodity prices and how price changes are passed on to both buyers and sellers. The AAA and Boschwitz/Boren bills are the most market oriented of the bills reviewed here but virtually all would increase the role of market forces in determining prices and incomes.

Price Supports

The nonrecourse loan program has long been the Government's main instrument for supporting commodity prices during periods of surplus. Farmers who comply with USDA programs can put part or all of their crops under loan and then either pay off the loan with cash or forfeit the crop to the Commodity Credit Corporation (CCC). Depending on the loan rate in effect, the nonrecourse loan program can establish a floor price well above market clearing levels.

With an extension of the 1981 act, loan rates for the 1985/86 crops would likely be set at \$3.30 a bushel for wheat; \$2.55, for corn (with loan rates for the other feed grains set on the basis of feed value); \$5.02, for soybeans; 57.3 cents a pound for cotton; and \$8.00 a cwt for rice. The law allows the Secretary to reduce wheat, feed grain, and soybean loan rates by 10 percent if the average farm price in the previous marketing year was 105 percent or less of the loan rate. The Secretary used this authority to reduce the 1984/85 wheat loan rate from \$3.65 to \$3.30.

However, the law also provides for minimum loan rates of \$3.00, \$2.00, and \$4.50 for wheat, corn, and soybeans respectively. Under current law, loan rates for cotton and soybeans are already related directly to market prices, but with 55 cents a pound and \$4.50 a bushel minimum.

Most of the bills discussed here tie loan rates directly to market prices. The bill offered by Congressman Rose is an exception; it would increase loan rates to 75 percent of parity—currently \$5.30 a bushel for wheat; \$3.85, for corn; 93 cents a pound for upland cotton; and \$14.75 a cwt for rice. The Zorinsky bill would also set higher loan rates than under the current legislation but only when marketing quotas were in effect.

The Glickman and de la Garza bills would keep loan rates initially near or above 1985/86 levels. The Glickman bill sets loan rates for feed grains and wheat at 100 percent of the average farm price for the 3 previous marketing years. Based on estimated prices for 1984/85 and forecasts for 1985/86, the wheat loan would be around \$3.40 a bushel, with corn around \$2.85. Assuming the Glickman non-recourse loan program provides an effective price floor, loan rates during 1986/87-1989/90 would not change significantly from 1986/87.

Under the de la Garza proposal, 1986/87 loan rates for wheat, feed grains, and rice would be frozen at 1985/86 levels. The Secretary could lower loan rates 5 percent after 1986/87, however, if the average farm price for the preceding marketing year was less than 105 percent of the loan rate. Conversely, loan rates could be raised 5 percent if farm prices averaged 105 percent or more of an already reduced loan rate. Loan rates for cotton and soybeans would continue to be tied directly to market prices as provided for in the current law, but with minimums of 55 cents a pound and \$5.02 a bushel.

The AAA proposal relates loan rates directly to market prices. Loan rates for feed grains, wheat, cotton, rice, and soybeans under the AAA are set at 75 percent of a 3-year moving average farm price but with no minimums specified. Moreover, there would be a limit of \$200,000 a person on nonrecourse loans. Loans in excess of \$200,000 would be made on a recourse basis. Based on estimated prices for 1984/85 and 1985/86, loan rates for 1986/87 would be well

below 1985/86, with corn around \$2.12 a bushel, wheat around \$2.55, soybeans around \$4.85, cotton around 47 cents a pound, and rice around \$6.35 a cwt.

The Helms bill sets nonrecourse loan rates for feed grains, wheat, cotton, and rice at 75 to 85 percent (Secretarial discretion) of the 5-year moving average farm price, excluding the high and low prices. Helms' wheat loan rate for 1986/87, for example, could range from about \$2.60 to \$2.95 a bushel, with corn ranging from \$2.00 to \$2.25. The bill extends the current loan formula for soybeans, but does not specify a minimum. Another departure from current law is the bill's provision that all interest on loans must be paid, even if the crop is forfeited to the CCC.

The Farm Bureau proposal would also set nonrecourse loan rates for feed grains, wheat, and rice at 75 percent of a 5-year moving average price, excluding the high and the low. There would be no minimums, but the maximum annual adjustment would be 10 percent up or down. If the adjustment was down 10 percent, loan rates in 1986/87 would be \$2.97 a bushel for wheat; \$2.30, for corn; and \$7.20 a cwt for rice. The bill extends the current loan formula for cotton, but eliminates the 55-cent minimum. The current loan formula for soybeans is retained.

Senator Cochran's proposal sets 1986/87 loan rates for feed grains, wheat, soybeans, and rice at 85 percent of the average farm price for the previous 5 years, excluding the high and the low. For the 1987-89 crop years, loans could be set at 75 percent of the average, but the annual adjustment could not exceed 5 percent. The bill extends the current formula for cotton. For 1986/87, loan rates would equal the high end of the range likely under the Helms bill and would be somewhat above those in the AAA.

Under the Cochran bill, a recourse marketing loan program would be set up with repayment at the original loan rate or the market price at the time of repayment, whichever is lower. The difference between the loan value and the repayment value would not count against the direct payment limit. The marketing loan would not support prices to the same extent that the usual nonrecourse loan does; season-average prices could be below the loan rate.

The Boschwitz/Boren bill reduces loan rates dramatically and immediately to levels that offset the appreciation of the U.S. dollar since 1981. Loan rates would be \$1.90 a bushel for corn; \$2.20, for wheat; 50 cents a pound for cotton; and \$5.50 a cwt for rice.

Starting with the 1987 crop, loan rates could be lowered 10 percent if the farm price for the previous marketing year was within 5 percent of the loan rate. The Secretary would be required to lower the loan rate at least 10 percent if the market price for the two preceding marketing years was within 5 percent of the loan rate and if the loan rate had not been lowered the previous year. The loan rate could also be raised 5 percent under certain conditions. Cash "transition payments" would be made directly to farmers to offset the income effects of lower loan rates and the elimination of target prices.

Acreage Reduction Authority

The nature and extent to which supply controls are used also determines how market oriented a farm program can be. If supply is artificially restricted through acreage reductions or quotas, commodity prices can rise above free market-clearing levels.

Except for the Rose bill, the AAA of 1985, and the Boschwitz/Boren proposal, the bills treated here retain authority to control supply through voluntary paid and unpaid acreage diversion programs. Several of the bills mandate acreage reduction programs if expected carryover as a percentage of total use or world demand exceeds specified levels. Most of these proposals are patterned after provisions in the 1984 Agricultural Programs Adjustment Act, requiring varying levels of acreage reduction depending on expected ending stocks.

The AAA of 1985 would phase out acreage reduction programs over 3 years. The Boschwitz/Boren bill would eliminate annual acreage reduction authority immediately, but would authorize a multiyear conservation reserve of up to 30 million acres of fragile land now in production. Although designed to reduce erosion, such an acreage reduction would have obvious supply control effects.

The Rose bill requires that the Secretary establish a national production goal. An acreage set-aside program would then be used to adjust production to be consistent with support prices.

Income Support

Direct income support payments to producers have been a key element in the wheat, feed grains, cotton, and rice programs for more than a decade. All the farm bills reviewed here, except for the Rose bill that depends on high loan rates to boost incomes, retain income support provisions. Moreover, except for the Boschwitz/Boren bill, income support would continue to be channeled through a target price/deficiency payment system similar to the existing system.

The 1984 Agricultural Programs Adjustment Act set target prices for 1985/86 at \$4.38 a bushel for wheat; \$3.03, for corn (target prices for the other feed grains would be based on their feed value relative to corn); 81 cents a pound for cotton; and \$11.90 a cwt for rice. Compliance with any acreage reduction requirements would be necessary to qualify for target price protection, and deficiency plus diversion payments would be limited to \$50,000 a person.

The lowest target prices would occur under the AAA and the Helms proposals. Target prices for feed grains, wheat, cotton, and rice under the AAA would be tied to a 3-year moving average farm price. Targets would be set at 100 percent of the average in 1986/87 and decline 5 percent a year thereafter to 75 percent in 1991/92. Target prices for 1986/87 would be around \$3.40 a bushel for wheat; \$2.83, for corn; 63 cents a pound for cotton; and \$8.45 a cwt for rice.

Deficiency payments would be limited to \$20,000 a person in 1986, \$15,000 in 1987, and \$10,000 thereafter. Because loan rates under the AAA are set at 75 percent of the 3-year average price, the bill aims to minimize payments after 1991/92.

Under the Helms proposal, target prices would be set at 110 to 125 percent of the loan rate, which in turn, would be set at 75 to 85 percent of the 3-year moving average farm price. Target prices set at 125 percent of the higher loan rate would still be well below 1985/86 levels. For example, maximum 1986/87 target prices would be around \$2.83 a bushel for corn and \$3.70 for wheat. Deficiency payments per person would be limited to the median family income for the previous year, currently around \$25,000.

The Cochran bill would set 1986/87 target prices for wheat, feed grains, rice, and cotton at 130 percent of the average farm price for the previous 5 marketing years, excluding the high and low. But target prices could not exceed 1985/86 levels. For the 1987-89 crops, target prices could be adjusted to 110 percent of the farm price average, with no annual adjustment to exceed 5 percent. Target prices in 1986/87 could be around \$4.20 a bushel for wheat; \$3.03, for corn; 81 cents a pound for cotton; and \$10 a cwt for rice. The payment limit of \$50,000 would continue.

Target prices under the de la Garza and the Farm Bureau proposals would be similar. Both bills put 1986/87 target prices at the 1985/86 levels of \$4.38 a bushel for wheat; \$3.03, for corn; 81 cents a pound for cotton; and \$11.90 a cwt for rice.

Under the de la Garza bill, target prices could be adjusted upward to reflect changes in production costs or could be lowered 5 percent annually if beginning grain stocks were 6.2 percent or more of estimated world consumption, if rice stocks exceed 25 million cwt. or if cotton stocks exceed 4 million bales. They could also be raised to reflect increases in production costs. Under the Farm Bureau proposal, target prices for the 1987-89 crops would be set at 110 percent of the market price used to compute loan rates, but annual adjustments could be no more than 5 percent.

The de la Garza bill requires that the Secretary offer cash diversion programs to compensate growers if target prices are reduced. The \$50,000 payment limit per person is continued under both proposals.

Of the 11 bills, the Glickman proposal sets the highest target prices, with wheat and feed grains at the higher of 65 percent of parity or the average cost of production. Currently, 65 percent of parity is around \$4.60 a bushel for wheat and \$3.35 for corn. Target price coverage would be limited, however, to corn and wheat produced for domestic use and reserves. The \$50,000 payment limit per person is continued.

The Boschwitz/Boren bill is unique in that it eliminates target prices. Instead, it establishes transition payments for corn, wheat, rice, cotton, and milk. The scheme is designed to guarantee farmers as much income above variable costs as they received in 1985.

Transition payments for farmers who participated in the 1984 and 1985 programs would be \$.94 a bushel for corn; \$1.42, for wheat; 26 cents a pound for cotton, and \$4.26 a

cwt for rice. The payments are smaller for a farmer who did not participate in both 1984 and 1985. A farmer's transition payments are also reduced as output increases. Farmers would receive 100 percent of the first \$20,000 in transition payments, but only 50 percent of the next \$40,000; 25 percent of the next \$60,000; and 10 percent of the next \$80,000. The maximum payment would be \$63,000.

In 1986, the full transition payment would be made (\$1.42 for wheat and so forth). The percentage of payment made then declines to 92 percent in 1987; 80 percent in 1988; 65 percent in 1989; and 50 percent in 1990. This effectively establishes a payment limitation of \$58,000 in 1987 and \$31,500 in 1990.

Transition payments would apply to a farm's normal production, and payments would be made regardless of what crop is planted on the land or even if no crop is planted. In the latter case, an acceptable cover crop would have to be established to qualify for a transition payment.

Senator Pressler's bill provides for a graduated payment scale, the more a producer grows, the lower the target price. The bill has a payment limit of \$20,000 for each producer per crop, with an additional limit based on the quantity of the crop produced.

Dairy Provisions

Only the AAA would redesign the dairy program to conform with the grains programs (e.g. loan rates, target prices, and deficiency payments). All of the other bills would continue Government purchases of surplus dairy products. The Boschwitz/Boren bill would lower the purchase price and provide for a transition payment to be phased out by 1990. All the other bills, except the Rose bill which supports manufacturing milk at prices at 75 percent of parity, would establish a formula for adjusting the support price based on Government removals. This is largely an extension of the approach enacted in the 1983 Dairy and Tobacco Adjustment Act.

Reserve Programs

Several of the proposed bills would eliminate the farmer-owned reserve (FOR). Only the Helms and de la Garza bills would retain the FOR essentially unchanged. The AAA would replace the FOR with a single food assistance reserve capped at well below recent FOR highs. The Farm Bureau proposal would replace the FOR with an extended CCC loan program, while the Boschwitz/Boren bill would retain the reserves but would significantly reduce its size.

Some Commodities Treated Differently

Only the AAA and the Rose bill treat all commodities consistently. Under the AAA, all commodities receive price support loans at 75 percent of the most recent 3-year average price, while all target prices are phased out. All support for honey is eliminated. The Rose bill provides support of 75 percent of parity for all eligible commodities.

The remaining bills move toward a more market-oriented program for grains and cotton, and in some cases for dairy, but generally retain the present programs for peanuts and sugar. The peanut program is presently a two-price program whereby peanuts used for domestic edible consumption are supported at a higher price than peanuts for feed and export. The sugar program supports cane and beet sugar at prices well above world market levels. These programs would remain essentially unchanged in all the bills except the AAA.

TRADE PROVISIONS

The trade provisions of the various farm bills all emphasize expanding agricultural exports through use of credits, more aggressive marketing, and multilateral trade talks. The bills differ, however, in how active a role the Government would play in facilitating expanded exports.

The AAA, for example, focuses on expanding exports through increased market access abroad, won through multilateral trade negotiations, while many of the other bills propose more direct measures involving the CCC and export subsidies. These range from expanded use of export credit to the use of market bonuses and export PIK's. Increased food aid to counter the build up of CCC stocks is also included in most proposals. Several proposals also authorize changes in the cargo preference law designed to enhance U.S. competitiveness.

Export Credit

Short-term export credits are designed to assist countries that have cash flow problems and difficulty obtaining commercial credit. The needs of such countries are now addressed through the GSM-5 and GSM-102 programs. GSM-5 involves Government-financed export credits for up to 3 years at commercial interest rates, while GSM-102 involves Government guarantees for privately financed loans for up to 3 years. A third blended credit program was used in 1983 and 1984 combining Government credit guarantees with interest-free direct Government credit.

The AAA anticipates use of only the GSM-102 guarantee program. The de la Garza and Zorinsky bills, on the other hand, mandates \$5 billion for GSM-102 and \$325 million for blended credit. The bills, in agreement with the Farm Bureau and Glickman proposals, also reauthorize the Agricultural Export Credit Revolving Fund that was authorized in the 1981 farm bill but never activated.

Intermediate credit is administered through the GSM-201 and GSM-301 programs. These loans are made by private banks for 3 to 10 years at open market interest rates. The GSM-201 program focuses on loans to expand livestock production in importing countries, while GSM-301 focuses on credit for infrastructural development. Their use, however, has been very limited. GSM-201 was last used in 1980 to finance the sale of beef and dairy breeding stock to Spain, while GSM-301 was last used to finance infrastructure development through sorghum and soybean sales to Israel in FY 1981 and 1982.

The AAA does not mandate the use of any intermediate export credit, although a continuing provision for it is included in the 1978 Agricultural Trade Act. By contrast, the Boschwitz/Boren and de la Garza bills specifically mandate using CCC commodities to operate expanded GSM-201 and GSM-301 programs. The Helms bill includes a new

comprehensive intermediate export credit initiative designed to promote U.S. agricultural export sales and help American farmers fight the unfair and predatory trade practices engaged in by foreign competitors.

The intermediate credit initiatives include both direct Government credits and credit guarantees for export sales and are directed towards countries that no longer can qualify for P.L. 480 credits and are unable to qualify for other short-term export programs. Senator Helms' proposal provides a minimum of \$1 billion a year for fiscal year 1986 through 1988, and a maximum of \$1 billion for 1989 through 1991. Senator Cochran's bill includes a similar proposal to expand export credit by authorizing intermediate export credit of \$500 million annually through 1988.

Long-term credits are currently provided under P.L. 480 Title I. Countries purchase agricultural commodities with loans at low interest rates and repaying in dollars or convertible local currencies, usually over 20 to 40 years. A grace period of 2 to 10 years can also be added.

The AAA, de la Garza, Cochran, Pressler, Glickman, and Zorinsky proposals extend the P.L. 480 Title I provisions. Senator Helms' bill also extends the P.L. 480 provisions, but modifies the existing program to allow payment in local currencies for at least 25 percent, but no more than 50 percent, of all Title I commodity sales. This local currency payment scheme is similar to the original P.L. 480 Title I provision terminated in 1971.

Export PIK

Except for the AAA, all the bills include explicit provision for an export PIK program. Senator Helms authorizes the CCC to provide commodities free or at reduced prices to foreign purchasers to encourage them to expand their purchases of U.S. farm products. In addition, the Helms bill also authorizes an additional \$315 million (or an equal value of CCC commodities) for targeted export assistance. This direct assistance provision is designed to promote export of those commodities adversely affected by unfair trade practices of foreign countries.

The Cochran export PIK plan, referred to as the market bonus plan, authorizes the Secretary to make CCC commodities available to exporters and foreign purchasers to expand U.S. sales abroad, counter unfair trade practices and address problems relating to the overvalued dollar. Similar export PIK programs are called for in the de la Garza, Farm Bureau, Zorinsky, and the Stenholm bills. Senator Cochran's bill also includes an "Aid to Trade Plan" for countries unable to qualify for GSM-5 export credit or GSM-102 guarantees. Under this proposal, the Secretary would be required to make available CCC stocks to reduce the cost of such commodities and to enable that country to qualify for such loans or guarantees.

A variation of the export PIK program is called for in Senators Boschwitz/Boren's Green Dollar Export Certificate Program. Under this proposal, the Secretary would accept bids from exporters for the amount of green dollar certificates needed to complete an export sale. After shipment, the exporter would exchange his green dollars for CCC export commodities.

Food Aid Donations

Food aid donations are currently authorized under P.L. 480 Title II and section 416 of the Agricultural Act of 1949. The AAA reauthorizes Title II donations. The Helms bill reauthorizes and expands the Title II program to include value-added and protein-fortified agricultural products. Senator Helms also proposes a Food for Progress provision under which the President could make multiyear commitments of P.L. 480 food assistance to countries wishing to implement growth-oriented agricultural policies. Assistance under this proposal would be limited to 500,000 metric tons a year and would be shipped from stocks the Government already owns.

Currently, the Secretary's authorization for donation of commodities under section 416 is effectively limited to wheat and dairy products. The wheat provision, however, has not been activated. The Helms, Cochran, and Boschwitz/Boren bills authorize expansion of section 416 to include any CCC food commodities.

Cargo Preference

The current Cargo Preference Act requires that half of all donations and other shipments financed by the Government on noncommercial terms be carried on U.S. flag vessels. U.S. flag vessels have generally charged more, in some cases 100 percent more, than vessels from other fleets. Several of the bills argue that this hampers U.S. export expansion efforts and provide for the repeal or reform of the law.

The Stenholm bill calls for a complete elimination of cargo preference. The Farm Bureau bill proposes that the cargo preference law not be applicable to any sale involving CCC export programs, including P.L. 480. Similarly the Helms bill proposes that export PIK, blended credit, and food aid shipments be exempt from cargo preference laws. Variations of this proposal also appear in the Boschwitz/Boren, Zorinsky, and Farm Bureau bills.

Export Market Development

Export market development activities are intended to expand demand for agricultural exports over the longer term. The 1981 act focused on (1) expanding the cooperator programs, (2) developing an expanded program for value-added processed farm products, and (3) developing a full-scale program for forestry products.

The AAA calls for the strengthening of the current program. The Secretary would be required to evaluate the effectiveness of existing programs and to devise ways to improve them.

Continued on page 39

Farm Bill Proposals	Length of authorization	Loans
Current Law (P.L. 97-98 & P.L. 258)	Most programs expire 9/30/85	Congressional set min. each crop year; narrowly adjustable. Soybeans: 75% of 5-year moving avg. farm price (dropping high & low values) with \$5.02 bu. min.
Administration Bill (H.R. 1420) (S. 501)	15 years ending 9/30/00	75% of 3-year moving avg. farm price; no min.
Helms Bill (S. 616)	6 years ending 9/30/91	Secretary may set 75-85%, except soybeans at 75%, of 5-year moving avg. farm price (dropping high & low values)
de la Garza Bill (H.R. 2100)	5 years ending 9/30/90	Min.: 1985 rate, except when farm prices are 105% of loan rate, then rate can be reduced by 5%. Cotton: Secretary sets at 85% of 5-year weighted moving avg. (dropping high & low values) or 90% C.I.F. N. Europe price of equal quality. Min. is \$.55 lb. Soybeans: 75% of 5-year moving avg. farm price (dropping high & low values) Min. is \$5.02 bu.
Boschwitz/Boren Bill (S. 1041)	8 years ending 12/31/93	Corn, \$1.90 bu.; wheat, \$2.20 bu.; cotton, \$.50 lb.; rice, \$5.50 cwt; in 1987 Secretary may lower rates 10% if the farm price of the previous year is within 5% of the loan rate; required if farm price of the previous years is within 5% of the loan rate, as long as loan rate was not adjusted down the previous year
Glickman Bill (H.R. 1656)	4 years ending 9/30/89	3-year moving avg., only for wheat and feed grains

Wheat, feed grains, cotton, rice & soybeans

Target price	Payment limitation	Loan limits
Congressional set min. each crop year	\$50,000/person for commodity payments; \$100,000/person for disaster payments	None on commodity loans; default: no interest repayments
1st year: 100% of 3-year moving avg. farm price; 2nd-15th years: declining 5% annually until 75% is reached	Per person max.: \$20,000 for 1986 crop year; \$15,000 for 1987; \$10,000 thereafter	Nonrecourse loans: \$200,000 max.; default: no interest repayments; loans over \$200,000 are recourse
Secretary may set 110-125% of loan rate	Last year's median family income (\$24,581 for 1983); \$100,000/person for disaster	None on commodity loans; Repayment of interest required in case of default
Min. for 1986-90: wheat-\$4.38/bu.; corn-\$3.03 bu.; rice-\$11.90/cwt.; and cotton-.81/lb. Adjusted for production costs. Reduced 5% if Government stocks of a grain are greater than 6.2% of world consumption, cotton, over 4 mil. bales, and rice, over 25 mil. cwt.	\$50,000/person for commodity payments; \$100,000/person for disaster payments	Maintain current program
Discontinued & replaced with transition payment; different payment schedules for nonparticipants than past participants; benefits decline with increments of income: \$1-20,000 (100%), \$20,001-40,000 (50%), \$40,001-60,000 (25%), \$60,001-80,000 (10%)	Per person transition payment limits: (1986) \$63,000 or 100%; (1987) 92%; (1988) 80%; (1989) 65%; (1990) 50%	No provision
Higher of 85% parity or the avg. cost of production, but target price applies only for domestic consumption & for stocks in food: applies only to wheat & feed grains	\$50,000/person	\$200,000/person

Farm Bill Proposals	Length of authorization	Loans
Farm Bureau Bill (H.R. 1965) (S. 908)	4 years ending 9/30/89	Wheat, feed grains, rice and soybeans: Secretary sets at 75% of 5-year moving avg. farm price (dropping high & low values); max. change 10% from previous year, except soybeans have no limit. Cotton: Secretary sets at 85% of 5-year moving avg. price, weighted by spot markets & months, (dropping high & low values) or 90% of C.I.F. N. Europe price of equal quality
Cochran Bill (S. 843)	4 years ending 9/30/89	85% except soybeans at 75% of 5-year moving avg. farm price (dropping high & low values) Cotton, as above, except weighted by month and spot market prices or 90% C.I.F. N. Europe price of specified quality; 5% min. reduction from previous year (except soybeans, at 10% if farm price is not greater than 105% of loan rate); min. for crop years 1986-87: wheat, \$3.30 bu.; corn, \$2.55 bu.; soybeans, \$4.50 bu.; rice \$8.14 cwt; cotton min. \$.55 lb., all years
Rose Bill (H.R. 2017)	5 years ending 9/30/90	75% of parity, except soybeans; mandatory participation
Stenholm Bill (H.R. 1912)	No ending date	75% of 5-year moving avg. farm price (dropping high & low values)
Pressler Bill (S. 250)	5 years ending 9/30/90	Rate: wheat, \$3.30 bu.; corn, \$2.50 bu.; other feed grains set by Secretary in relation corn; when avg. farm price is at 105% of loan rate, Secretary may reduce rate, but no more than 10% any year; cotton and soybeans excluded
Zorinsky Bill (S. 1051)	4 years ending 9/30/89	Wheat: with quota, 75% of cost of production or \$3.55 bu.; without quota, 85% of 5-year moving avg. farm price (dropping high & low values) with min. \$3.30 bu.; feed grains: corn, 85% of 5-year moving avg. farm price (dropping high & low values) with min. \$2.55 bu.; other feed grains set relative to corn, except soybeans set at min. \$5.02 bu.

Wheat, feed grains, cotton, rice & soybeans

Target price	Payment limitation	Loan limits
1986 prices frozen at 1985; 1987 prices equal to 110% of the average price used to determine the loan rate with change no greater than 5% from previous year	\$50,000/person	No provision
1986 prices for wheat, feed grains, and rice at 130% of 5-year farm price average (exclude high & low), not to exceed 1985 levels; 1987-89, 110% of 5-year avg., adjustments not to exceed 5%	\$50,000/person for commodity payments; \$100,000/person for disaster payments	No provision
No provision	No provision	No provision
Based on production cost including land; payments limited to acreage base; withheld deficiency payments due to high prices go into export credit fund	No provision	Nonrecourse loans, \$200,000; recourse loans can be more provided producer plants within base
Based on production: wheat, \$4.48 bu. (1-7,500 bu.), \$4.33 bu. (7,501-15,000), \$4.18 bu. (over 15,000); corn, \$3.13 bu. (1-10,000 bu.), \$2.98 bu. (10,001-20,000), \$2.83 bu. (20,001-22,500); barley, \$2.70 bu. (1-5,000 bu.), \$2.55 bu. (5,001-10,000), \$2.40 bu. (10,001-15,000); oats, \$1.70 bu. (1-3,000 bu.), \$1.55 bu. (3,001-6,000), \$1.40 bu. (over 6,000); adjusted for production costs (excluding land)	\$40,000/person per crop for disaster; \$20,000 for commodity payments with bushel limits: wheat, 22,500; corn, 30,000; barley, 15,000; oats, 9,000	\$200,000/person
Wheat: with quota, higher of cost of prod. or \$4.65 bu. without quota, \$4.38 bu. for 1986. For 1987-89, past year's price adjusted for cost of prod.; feed grains: corn \$3.18 bu. (1-10,000 bu.), \$3.08 bu. (10,001-20,000), \$2.98 bu. (20,001-30,000), \$2.88 bu. (30,001-40,000), zero (over 40,000); other feed grains relative to corn, except soybeans	\$50,000/person for commodity payments; \$100,000/person for disaster payments	No provision

Farm Bill Proposals	Farmer-owned reserve (FOR)	Acreage reduction (ARP), paid land diversion (PLD), and set aside
Current Law (P.L. 97-98 & P.L. 98-258)	Secretary may allow early entry & waive interest; restrictions placed on removal of commodities; repayment of interest in case of default not required; release price not less than 5% above support price plus carrying charges	Set by Secretary; in 1985, wheat & upland cotton: ARP, 20%; PLD, 10%. Corn, grain sorghum, barley, oats, & ELS cotton: ARP, 10%; PLD, 0%. Rice: ARP, 20%; PLD, 15%; & soybeans: no supply control authority
Administration Bill (H.R. 1420) (S. 501)	FOR eliminated; single food assistance reserve of up to 500 mil. bu. of wheat & feed grains	Voluntary ARP: 15% (1986), 10% (1987), 5% (1988), no supply controls thereafter
Helms Bill (S. 616)	Early entry prohibited; removal restrictions eliminated; release price not less than 5% above support price plus carrying charges	Secretary may adjust national program acreage based on carryover; farm acreage base is either past year's acreage or 3-year moving avg. Secretary may invite PLD contracts by bid or with multiyear agreements
de la Garza Bill (H.R. 2100)	Maintain current program	Implemented by Secretary if Government stocks of a commodity are greater than 6.2% of world consumption; Secretary has option of multiyear contracts for set-aside; mandatory PLD if commodity's target price is reduced
Boschwitz/Boren Bill (S. 1041)	No new entries until wheat stocks are less than 350 mil. bu. or feed grain stocks are less than 800 mil. bu.; only 3-year recourse loans; CCC pays storage & waives interest first 12 months, unless Secretary deems necessary	Discontinues future use of ARP
Glickman Bill (H.R. 1656)	FOR eliminated; Government storage in approved facilities; Secretary provides to producers financial information of local grain storage facilities	Set by Secretary; min. program allocation factor 50%; production reduction program: 10% reduction in production requirement for eligibility of Government benefits

**Dairy
Price Support**

**Honey
Loan rate**

**Wool
and mohair**

\$12.10 cwt; reduction on 6/1/85 to \$11.60 cwt by Secretary depending on CCC removals

\$11.60 cwt; Secretary may reduce price support by \$.50 cwt when Government purchases are greater than 5 bil. lbs. on Apr. 1, 1986, and Jan. 1, 1987. On Oct. 1, 1987, direct payment program starts with current milk rate & the lesser of the avg. producer price for the previous year or 90% of the 3-year moving avg. producer price; rate declines 5% a year to 75%

\$11.60 cwt for FY 86; thereafter Secretary adjusts price (based on FY removals) accordingly:

Government purchases bil. lbs.	Price decrease \$/cwt.
10.0	1.00
9.99 - 7.5	.75
7.49 - 6.0	.50
5.99 - 2.0	.25

When CCC removals are less than 2.0 bil. lb. price rises \$.25 cwt

\$11.60 cwt FY 86; thereafter if projected CCC removals for the next FY are greater than 5 bil. lbs., then support price the next year can be reduced 5%; support price can be increased 5% each year to ensure adequate supply

\$10.60 cwt with a \$1.50 cwt transition payment rate, moving inversely to CCC price. Max. transition payment—1986, \$20,000 (100%); 1987, \$18,400 (92%); 1988, \$16,000 (80%); 1989, \$13,000 (65%); 1990, \$10,000 (50%); dairy transition payment is included in total farm payment; quarterly payments; new entries eligible if they take over a current producer; discontinued producers can receive payments for the next fiscal year

No provision

\$.685 lb. (60% of parity)

Repeals authority

75-85% of 5-year moving avg. of producer prices (dropping high & low values)

Maintain current program

Maintain current program

Maintain current program

Producer incentive payment is based on the difference between the incentive price and the price received by producers

Producer incentive payments: difference between avg. producer price & target price not to exceed \$1.65 lb.; or 1st year, 100% of 3-year moving avg. price received by producer; 2nd-15th years, rate declines 5% a year to 75%

Same as current law with gradually lower payments, until support price is based on 5-year moving avg. producer price (dropping high & low values)

Maintain current program

No provision

No provision

**Farm Bill
Proposals**

**Farmer-owned
reserve (FOR)**

**Acreage reduction (ARP), paid land
diversion (PLD), and set aside**

Farm Bureau Bill
(H.R. 1965)
(S. 908)

Terminated & replaced with loans to wheat & feed grain programs; loans 9 months or less no interest charge; interest charge for longer terms

Secretary implements volume of acreage reduction when wheat or feed grain carryover is greater than 4% of world demand; cotton carryover greater than 3.5 mil. bales; or rice supply 15% greater than normal; producer receives 50% of PLD payment on signup

Cochran Bill
(S. 843)

Continues under permanent authority; release price not less than 115% of loan rate

Set by Secretary; national program acreage could vary by carryover; set-aside acreage devoted to conservation; PLD acreage on bid basis

Rose Bill
(H.R. 2017)

FOR eliminated

Secretary establishes production goals; set-aside mandatory when expected production is greater than national production; set-aside based on amount or acreage

Stenholm Bill
(H.R. 1912)

Cap with annual limits for each producer

Secretary sets acreage base & program yield system: yields based on 5 year avg. (dropping high & low values) with min. & max. year changes, farm acreage based on 5-year avg. of total acreage planted to all program crops plus soybean acreage, & crop acreage based on 5-year avg. of acreage planted to crop in farm acreage

Pressler Bill
(S. 250)

No provision

Set by Secretary; national program acreage could vary by carryover

Zorinsky Bill
(S. 1051)

No provision

Set up national marketing quota program; farm marketing quota for each farm; referendum required with majority rule; national program acreage when quota program not in effect; producer receives 50% of deficiency payment on signup

**Dairy
Price Support**

**Honey
Loan rate**

**Wool
and mohair**

90% of 3-year moving avg. of all milk price received by farmers with adjustments based on bil. lbs of net CCC removals—less than 3, 104% of support price; ~~3.0-3.99~~, 103%; 4.0-4.99, 102%; 5.0-5.99, 100%; 6.0-6.99, 98%; 7.0-7.99, 96%; over 8.0, Secretary may, starting 4/1/86, adjust price no more than 3% for any 6-months

No provision

No provision

No provision

No provision

\$11.60 cwt FY 86; thereafter if projected CCC removals for the next fiscal year are greater than 5 bil. lbs., then support price the next year can be reduced 5%; support price can be increased 5% each year to ensure adequate supply

No provision

85% of 5-year moving avg. farm price (dropping high & low values); crop years 1986-87, the 1985 level; min. 5% decline from previous year

No provision

No provision

No provision

No provision

Maintain current program

No provision

No provision

No provision

Maintain current program

Maintain current program

Farm Bill Proposals	Sugar	
	Loan rate	Target price
Current Law (P.L. 97-98 & P.L. 98-258)	Cane, \$.18/lb. FY 85; beet rate set relative to cane	No provision
Administration Bill (H.R. 1420) (S. 501)	Cane: lower of \$.12 lb. or 75% of its 3-year moving avg. market price; beet rate set relative to cane	Higher of \$.18 lb. crop year 1986 with annual decline of \$.02 lb. through 1989 or 75% of its 3-year moving avg. market price
Helms Bill (S. 616)	Cane at no less than \$.18 lb. FY 86-91. Beet rate set relative to cane	No provision
de la Garza Bill (H.R. 2100)	Cane at no less than .18 lb., FY 86-91. Beet rate set relative to cane.	No provision
Boschwitz/Boren Bill (S. 1041)	Maintain current program	No provision
Glickman Bill (H.R. 1656)	No provision	No provision

Two-tier price support system: quota peanuts \$550/ton & additional peanuts \$148/ton; acreage quotas suspended, but poundage quotas continued (1.1 mil. tons); State's share is based on 1981 quota; penalties for illegally disposing of additional peanuts

Crop years 1986-90, poundage quota continued with loan rate the lower of \$250 ton or 75% of 3-year moving avg. producer price; target price for FY 86 is \$550 ton with annual 5% decline beginning in crop year 1987 until it reaches 75% in 1991

Maintain current program with support adjusted for cost of production

National poundage quota of 1.1 mil tons, 1986-89; State allocations with adjustments for farmer's past performance; min.: 1985 loan rate, except when costs are up; Secretary sets rate for additional peanuts; Secretary requires area market; area association to establish pools; restricted transfer of quota; penalties for illegally disposing of additional peanuts

No provision

No provision

Mandated FY 83-85 expenditure for export assistance of \$175-190 mil. through CCC charter; pilot project barter CCC dairy stocks for 40,000 metric tons of UHT milk for donation overseas; \$5 bil. in credit guarantees; dairy & wheat included in section 416 of AA of 1949.

Promotion program; credit program emphasizing credit worthiness & need, but includes credit guarantees; directs the Secretary and U.S. trade representative to identify countries whose policies adversely impact agri. trade & seek reductions in trade barriers; limit import restrictions

Mandates \$1 bil. intermed. credit program & exporting 150,000 tons of dairy surplus annually in FY 86-88; export PIK; expands exemptions from cargo preference; establish a \$325 mil. fund annually in FY 86-88 for targeted export subsidies; offer surplus commodities as bonus to less developed countries to reform their agri. policies

Extends Security Wheat Reserve; export subsidies to reduce the effects of competing countries' subsidies; export credit guarantee program of not less than \$5 bil.; promotion program; export PIK; \$325 mil. for direct credit under blended credit programs

Green Dollar Program: exporters bid or Secretary sets amount of transferable certificates that are redeemable for CCC stocks to complete export sales; expands exemptions on cargo preference; direct payments for embargo prevention; CCC stock reduction program: 20% annual reduction by providing intermediate credit to importing countries for increasing livestock production, expanding infrastructure, & expanding Section 416

Requires standby export subsidy program; Extends Agricultural Export Credit revolving fund

Continues authority under Food for Peace Act

Food for Peace Act extended through FY 2000

Accept local currencies as payment for commodities that could be reloaned for private investment

Extends life of Food for Peace Act

Extends life of Food for Peace Act

Extends life of Food for Peace Act

Farm Bill Proposals	Sugar	
	Loan rate	Target price
Farm Bureau Bill (H.R. 1965) (S. 908)	Cane: min. \$.18 lb. FY 86-89; beet rate set relative to cane	No provision
Cochran Bill (S. 843)	Cane: min. \$.18 lb. FY 86-89; beet rate set relative to cane	No provision
Rose Bill (H.R. 2017)	No provision	No provision
Stenholm Bill (H.R. 1912)	No provision	No provision
Pressler Bill (S. 250)	No provision	No provision
Zorinsky Bill (S. 1051)	Maintain current program	No provision

Maintain current program, except quota is based on 3-year moving avg. with Secretary making adjustments not greater than 5%; level modifications reflect % change in prices paid in the 2 previous years

National poundage quota of 1.1 mil. tons, 1986-89; State allocations with adjustments for farmer's past performance; quota peanuts: last year's price adjusted for cost of production (ex. land) with a 6% max.; additional peanuts: Secretary sets rate and requires area market association to establish pools, restricted transfer of quota; penalties for disposing of additional peanuts

No provision

Maintain current program with adjustments in quotas

No provision

Maintain current program with minimum national poundage quota of 1.1 mil. tons

Blended credit extended; standby export subsidy authority; exemption from cargo preference requirements; export bonus program to offset competing countries' subsidies

Export PIK to develop, maintain, & expand export markets by countering unfair trade practices & providing credit through bidding down cost; assist import countries in improving their infrastructure with supplemental commodities; expanded intermediate credit program; extend section 416 to include all CCC commodities

No provision

Export credit; eliminate cargo preference; export PIK

Short, intermediate, and long-term credit programs; encourages bilateral and multilateral agreements to increase trade

Export credit program; export subsidy authority; exemption from cargo preference requirements; export bonus program to offset competing countries' subsidies; promotion program; establish food reserve

Extended with increased minimum levels of 10 mmt for each fiscal year

Extends life of Food for Peace Act

No provision

Extends life of Food for Peace Act

Extends life of Food for Peace Act

Extends life of Food for Peace Act

Farm Bill Proposals	Credit	Conservation
Current Law (P.L. 97-98 & P.L. 98-258)	FmHA direct loans at reduced interest rate for farm ownership & operating purposes & for disaster relief; max. repayment period for 7-year operating loans can be extended to 15 years; 20% of operating loans to low-income, limited-resource borrowers	No conservation eligibility for federal farm benefits, unless as part of approved conserving use of idle acres
Administration Bill (H.R. 1420) (S. 501)	FY 86, no FmHA disaster relief loans where crop insurance is available; phasing out direct operating loans; only FmHA guaranteed loans at 75% of loan amount, except 90% for hardship cases	Highly erodible lands need planting history or must meet conservation requirement; otherwise no benefits to farmers on any land
Helms Bill (S. 616)	Secretary may allocate funds between insured & guaranteed loans with new borrowers eligible for only guaranteed loans; FmHA ownership loans phased out over 6 years; Emergency disaster loans as needed where Federal crop insurance is not available; Interest rate raised to commercial levels; rural development loans are phased out	Highly erodible lands need planting history or must meet conservation requirements or lose benefits for that crop
de la Garza Bill (H.R. 2100)	Real estate, operating, & emergency loans; amounts necessary to meet natural disaster needs; interest rate on guaranteed loans is lower of the lender's lowest rate on agri. loans minus 2% or lender cost plus 1.25%; advance on non-recourse loans for crop year 1986; expanded \$3 mil. Debt Adjustment Authority; rural development insurance fund for water & sewer, industrial bonds, & community facilities	Highly erodible lands need planting history or must meet conservation requirements, otherwise no benefits to producer on any land. Conservation Reserve Program; 7-15-year contracts for erosion-prone cropland
Boschwitz/Boren Bill (S. 1041)	No provision	30 mil. acres of fragile lands now in production would be ineligible for Federal benefits; $\frac{2}{5}$ of these acres in a 10-year conservation reserve on a bid basis; 10% for wetlands, 10% for shelterbelts; land plowed for the first time since 1/1/80 is eligible only for the cost of reestablishing a cover crop
Glickman Bill (H.R. 1656)	No provision	Highly erodible lands need planting history or must meet conservation requirements, otherwise no benefits to producer on any land; Secretary takes land capability classification survey & cropland base protection study; Secretary carries out 7-15-year conservation reserve program for erosion-prone land

Research & extension

Most programs continued through 9/30/85

Expanded human, food & agri. research programs; Greater emphasis on agri. productivity; develop higher education programs in food & agri. sciences

Focus research & extension activities, particularly agri. technology toward small & moderate family farms; expand research in biotechnology & industrial uses for agri. crops; require nonfederal sources to match 20% for competitive research grants & 50% for technology development research

Expanded human, food, & agricultural research; greater emphasis on agricultural productivity; develop higher education programs in food & agri. sciences

No provision

Establish long-term agri. policy commission

The Helms bill proposes two specific provisions related to market development. First, the Secretary would be authorized to use up to 5 percent of the local currencies the United States received from P.L. 480 Title I sales to provide technical market development assistance, including the funding of market development activities.

Second, the remaining P.L. 480 Title I local currencies could be loaned to financial intermediaries in the recipient country. The currencies would be used to fund loans for private enterprise investment, giving strong preference to agricultural investments. Once financial intermediaries begin to make repayments, the Secretary could use the currencies for market development.

Multilateral Trade Negotiations

The AAA is strongly committed to expanding U.S. access to food and agricultural markets abroad and protecting the sanctity of export contracts at home. The bill proposes to reduce or eliminate U.S. restrictions on agricultural imports in exchange for similar concessions on the part of our trading partners. Senator Helms' bill also addresses the issue of unfair trade practices and proposes new multilateral negotiations. The negotiations called for in the bill would aim at strengthening the General Agreement on Tariffs and Trade (GATT) by improving its dispute settlement procedures and bringing agricultural trade issues to the forefront. Multilateral trade negotiations are also called for in the Pressler and Zorinsky proposals.

Special Provisions

A number of special provisions are also included in some of the bills. Senators Boschwitz/Boren's bill mandates a 20-percent reduction in CCC stocks each year through donations to third world countries to build infrastructure. The Farm Bureau bill mandates a P.L. 480 minimum of 10 million tons. The Stenholm bill proposes that \$1 billion be put into an export credit fund to be used if needed to maintain the U.S. share of the world market.

Senator Helms' bill has two special provisions. First, it requires that the CCC use barter agreements to facilitate the exchange of agricultural commodities for strategic materials. Although provision already exists for such exchanges, the administration has not made extensive use of it in recent years. Second, the bill requires export sales of 150,000 metric tons of CCC dairy products a year for fiscal year 1986 through 1988 at such prices as the Secretary determines appropriate.

CONSERVATION PROVISIONS

For the first time in many years, resource conservation figures heavily in farm bill proposals. Conservation has traditionally been dealt with in separate legislation. The extensive conservation provisions provided for in the bills introduced to date draw on several experimental programs and legislative initiatives undertaken during the last 2 years.

**Farm Bill
Proposals**

Credit

Conservation

Farm Bureau Bill
(H.R. 1965)
(S. 908)

No provision

Highly erodible lands need planting history or must meet conservation requirements otherwise no benefits to producer on any land. Conservation Reserve Program: 7 to 15 year contracts for erosion-prone cropland

Cochran Bill
(S. 843)

No provision

No provision

Rose Bill
(H.R. 2017)

No provision

Conservation eligibility: producer has not put into production highly erodible land, wetlands, or timber land; wheat: summer fallow included in conserving acres

Stenholm Bill
(H.R. 1912)

No provision

Deny base establishment to any producer farming highly erodible land

Pressler Bill
(S. 250)

No provision

Conservation Reserve Program: 7 to 15 year contracts; Secretary may permit producers to jointly participate; highly erodible lands need planting history or must meet conservation requirements, otherwise no benefits to producers of that crop on that land

Zorinsky Bill
(S. 1051)

Establish a task force to study credit problems of agri. producers & related businesses; Federal/State interest buy down program; borrowers facing foreclosure may be released from any USDA lien of less than \$10,000; Secretary may dispose of real property to qualified family & limited resource farmers

Highly erodible lands need planting history or must meet conservation requirements, otherwise no benefits to producer on any land. Conservation Reserve Program: 7 to 15 year contracts for erosion-prone cropland; wetlands conservation program

Research & extension

No provision

No provision

No provision

No provision

No provision

Maintain current program

The 1981 farm bill authorized a new conservation program, but its "special areas" program for regions with serious erosion problems was not funded. However, a small conservation reserve for erodible land was set up in 1984 using \$16 million of Agricultural Conservation Program funding. In announcing the pilot reserve, Secretary Block noted that conservation goals would be well served by insuring more consistency between conservation and commodity programs.

The Secretary also directed the Agricultural Stabilization and Conservation Service and the Economic Research Service in 1983 to measure the impact of the PIK program on conservation and explore ways to achieve more consistency between conservation programs and commodity support programs. These activities were undertaken in part to support the legislative process. Several related conservation bills were also discussed in both houses of Congress during this same period.

Insuring Conservation and Commodity Program Consistency

Most of the farm bill proposals highlight the need to build conservation provisions directly into the farm bill, particularly its commodity support and acreage reduction provisions. Most bills would supplement or replace part of any annual acreage reduction programs with a long-term conservation reserve focused on highly erodible land. The land cover to be established under these long-term programs would in most instances meet erosion standards even on the small portion (roughly 8 percent) of cropland that conservation experts say cannot be adequately protected if cropped intensively.

The bills generally leave technical designation of the highly erodible acres and the linkage of commodity programs and the conservation reserve to the Secretary. Other objectives stated in the various conservation reserve provisions include returning the highly erodible soils plowed up during the export boom of the 1970's to sod and, in some cases, building wildlife reserves.

Program consistency is also provided for in sodbusting proposals designed to prevent misuse of highly erodible land. Some form of sodbuster restriction is built into all of the bills, except for Senator Cochran's. Sodbuster provisions deny price and income program benefits to farmers who plow up highly erodible land without meeting USDA erosion standards.

Conservation Reserve Proposals

Although considerable similarity exists among the various sodbuster sanctions proposed, specific provisions for conservation reserves vary widely. Senators Boaschwitz/Boren's bill would replace all current supply controls with a 30 million acre reserve for highly erodible land and deny program benefits to operators farming highly farmers using highly

erodible acres. Denying benefits to erodible land currently in production is clearly intended to make the conservation reserve more attractive to farmers and is unique to the Boschwitz/Boren bill.

In contrast to Boschwitz/Boren's reliance on at least a 20-million-acre reserve to aid in supply management, the Cochran bill simply continues annual set-asides and paid diversions in essentially their present form. Several bills fall between these two conservation perspectives. The Farm Bureau, Pressler, Zorinsky, de la Garza, and Glickman bills combine establishing a large conservation reserve for erodible land with continuing the annual set-aside and paid diversion programs. Although the intent is to minimize costly annual paid diversion programs with a more cost-effective conservation reserve, the actual supply control and budget impacts depend on each bill's specific target price and acreage reduction provisions.

Senator Helms' bill, on the other hand, contains no provision for idling erodible land, but leaves it to the Secretary to decide whether to use a long-term acreage reduction or continue the annual paid diversion program, as long as price objectives are met. The AAA eliminates acreage reduction programs over 3 years—allowing the resulting reduced market price to cause some erodible and other marginal acres to shift out of intensive crop uses.

Defining highly erodible land for inclusion in the reserves also varies among proposals. Most Senate conservation reserve proposals give the Secretary considerable latitude in selecting erodible acres for the reserve, while broadly requiring a balance between selecting erodible land and land farmers will idle for a lower rental payment. The de la Garza, Glickman, and Zorinsky bills spell out their own definition, which combines the Soil Conservation Service's Land Capability Class System¹ and actual measurement of erosion (Class IIIe, IVe, VIe, VII, and VIII, and any land in each State with erosion as great as the average rate for these land classes).

The bid system, which is included in all the conservation reserve proposals, has a role in this selection process. Each farmer would submit a bid indicating the minimum payment per acre he would accept. Senators Boschwitz/Boren's bill would provide further guidance, requiring that priority be given to bids that achieve the most erosion reduction

attainable per dollar spent—except on the 10 percent of the reserve acres devoted to restoring wetlands. If bids are accepted purely on this costs per ton, a reserve could eliminate about half of the erosion exceeding the USDA's limits on soil erosion. Instead, approaches focusing on lower costs per acre idled would reduce erosion somewhat less, but would also cost less.

The Pressler bill would not allow harvesting or grazing on reserve acres except in an emergency. The Farm Bureau bill does allow grazing, but grazing would be in lieu of the rental payment. Bills from Helms, Zorinsky, Glickman, de la Garza, and Boschwitz/Boren give the Secretary some latitude concerning grazing.

To avoid idling too much land in any one community, the Boschwitz/Boren bill requires local acreage or funding limits. The other bills generally do not mention this issue, but their bid systems would appear to place a financial limit on acres idled in each district. The focus on highly erodible land and the bid provisions represent the greatest departures from conservation provisions in the past farm bills.

Sodbuster Provisions

Among sodbuster provisions, there are similarities in definitions of highly erodible or erosion-prone land subject to the sanctions of the bills. De la Garza and Glickman employ the most inclusive or strongest definition, requiring newly plowed land in the Soil Conservation Service's Erodible Land Capability Classes IVe, VIe, VII, and VIII, or land in each State with comparable erosion rates, to meet the Department's erosion standards.

The other bills simply specify Classes IVe, VIe, VII, and VIII, or let the Secretary decide. Based on recent plowing activity, this latter definition reduces the amount of new highly erodible land subject to these bill's provisions by well over half, but reduces the acreage subject to field inspection to enforce the legislation, as well.

Senators Helms and Pressler would deny program benefits only to the crop grown on the field where the sodbusting occurred, while the other bill's sodbuster provisions deny benefits to the operator for all his crops. In other respects, sodbuster provisions contain little variation in the erosion control exemptions and the specific benefits denied sodbusters. Essentially, if a field specified as highly erodible is plowed after the enactment of the respective bills, the farmer must meet USDA's erosion standards or lose program benefits.

[The farm bill analysis reported on in this issue of Agricultural Outlook draws on work done by a number of analysts in ERS including Praveen Dixit, Sam Evans, Lewrene Glaser, Tony Grano, Robert Haynes, Kathy Jabara, Herb Moses, Pat O'Brien, Clay Ogg, Jerry Rector, Keith Scearce, Barbara Stucker, Larry Traub, and Jim Zellner].

¹The Land Capability classes are described by the Soil Conservation Service, U.S. Department of Agriculture, "Land-Capability Classification," Agricultural Handbook H0.210, 1973.

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Statistical Indicators

Summary Data

Key statistical indicators of the food and fiber sector

	1984				1985				
	I	II	IV	Annual	I F	II F	III F	IV F	Annual F
Prices received by farmers (1977=100)	145	142	137	142	134	135	137	135	135
Livestock & products	146	143	142	146	143	141	144	142	142
Crops	143	141	131	138	125	128	130	126	127
Prices paid by farmers, (1977=100)									
prod. items	157	154	152	155	154	154	154	154	154
Commodities & services, int., taxes, & wages	165	164	164	165	164	165	166	166	165
Cash receipts 1/ (\$ bil.)*	139	149	144	139-143	139	138-142	142-146	142-146	140-145
Livestock (\$ bil.)	70	71	72	70-74	72	67-71	69-73	71-75	70-74
Crops (\$ bil.)	69	78	72	68-72	67	69-73	71-75	70-74	69-73
Market basket (1967=100)									
Retail cost	278	280	279	279	284	285	289	290	287
Farm value	252	256	249	254	246	246	250	249	248
Spread	293	294	294	293	307	313	313	315	312
Farm value/retail cost (%)	34	34	34	34	32	31	32	32	32
Retail prices (1967=100)									
Food	302	304	304	303	309	311	315	317	313
At home	292	293	292	292	298	298	303	304	301
Away-from home	332	335	338	333	341	346	350	355	348
Agricultural exports (\$ bil.) 2/	8.9	8.2	10.0	38.0	8.9	8.9	6.7	10.0	34.5
Agricultural imports (\$ bil.) 2/	4.7	5.0	4.7	18.9	5.6	4.8	4.4	4.7	19.5
Livestock & products									
Total livestock & products (1974=100)	116.5	114.8	116.1	114.9	112.4	118.4	115.4	114.0	115.1
Beef (mil. lb.)	5,820	5,952	5,936	23,418	5,691	5,825	5,625	5,500	22,641
Pork (mil. lb.)	3,670	3,355	3,957	14,720	3,618	3,600	3,375	3,650	14,243
Veal (mil. lb.)	113	123	128	479	119	110	115	100	444
Lamb & mutton (mil. lb.)	92	88	93	371	93	82	79	81	335
Red meats (mil. lb.)	9,695	9,518	10,114	38,988	9,521	9,617	9,194	9,331	37,663
Broilers (mil. lb.)	3,350	3,339	3,227	12,999	3,215	3,550	3,550	3,400	13,715
Turkeys (mil. lb.)	589	777	775	2,574	482	625	800	790	2,697
Total meats & poultry (mil. lb.)	13,634	13,634	14,116	54,560	13,218	13,792	13,544	13,521	54,075
Eggs (mil. dz.)	1,408	1,427	1,469	5,705	1,431	1,430	1,440	1,480	5,781
Milk (bil. lb.)	35.6	33.5	32.4	135.4	33.6	36.5	34.5	33.2	137.8
Choice steers, Omaha (\$/cwt.)	66.01	64.28	63.49	65.34	62.24	59-62	64-68	64-68	62-66
Barrows & gilts, 7 markets (\$/cwt.)	48.91	51.21	47.65	48.86	47.32	43-46	48-52	48-52	46-50
Broilers-wholesale, 12-city									
weighted avg. dressed (cts./lb.)	56.4	54.1	49.9	55.6	51.5	47-50	48-52	48-52	48-52
Turkeys-wholesale, N.E., 8-16 lb. hens, dressed (cts./lb.)	66.9	72.4	90.5	74.4	68.9	62-65	66-70	64-68	65-69
Eggs, N.Y. Gr. A large, (cts./dz.)	83.4	70.1	66.7	80.9	61.7	57-61	66-70	68-72	63-67
Milk, all at farm (\$/cwt.)	12.97	13.27	14.10	13.45	13.67	12.55-12.85	12.10-12.50	12.60-13.15	12.75-13.05
Crop prices at the farm 3/									
Wheat (\$/bu.)	3.58	3.38	3.42	3.38	3.38	—	—	—	3.20-3.40
Corn (\$/bu.)	3.34	3.11	2.59	2.65	2.64	—	—	—	2.50-2.70
Soybeans (\$/bu.)	7.98	6.51	5.97	5.90	5.84	—	—	—	5.25-6.25
Upland cotton (cts./lb.)	69.3	66.0	60.7	—	50.8	—	—	—	—

1/ Quarterly cash receipts are seasonally adjusted at annual rates. 2/ Annual data are based on Oct.-Sept. fiscal years ending with the indicated year. 3/ Quarterly prices are simple averages; annual prices are for marketing year beginning in year indicated. F = Forecast. Numbers may not add to totals due to rounding. *Seasonally adjusted at annual rates.

Farm Income

Farm income statistics

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984 F	1985 F
	\$ Bill.										
Receipts											
Cash receipts:											
Crops 1/	45.8	49.0	48.6	53.7	63.2	72.7	73.3	74.6	69.5	68 to 72	69 to 73
Livestock	43.1	46.3	47.6	59.2	68.6	67.8	69.2	70.1	69.2	70 to 74	70 to 74
Total	88.9	95.4	96.2	112.9	131.8	140.5	142.6	144.8	138.7	139 to 143	140 to 145
Other cash income 2/	1.8	1.8	3.0	4.3	2.9	2.8	3.8	5.5	10.8	9 to 11	6 to 10
Gross cash income	90.7	97.1	99.2	117.2	134.7	143.3	146.4	150.2	149.6	149 to 153	148 to 153
Nonmoney income 3/	6.5	7.3	8.4	9.2	10.7	12.4	13.6	14.2	13.6	12 to 14	12 to 14
Realized gross income	97.2	104.4	107.6	126.4	145.4	155.7	160.0	164.4	163.2	162 to 166	161 to 166
Value of inventory chg	3.4	-1.5	1.1	.8	4.9	-5.5	7.9	-2.6	-11.7	5 to 9	-3 to 1
Total gross income	100.6	102.9	108.7	127.2	150.4	150.2	167.9	161.8	151.4	169 to 173	160 to 165
Expenses											
Cash expenses 4/	61.7	67.8	72.0	81.0	97.2	105.6	111.4	113.4	109.5	114 to 116	113 to 117
Total expenses	75.0	82.7	88.9	99.5	118.1	128.9	136.9	139.5	135.3	139 to 141	138 to 142
Income											
Net cash income	29.0	29.3	27.3	36.2	37.5	37.7	35.0	36.8	40.1	34 to 38	33 to 37
Total net farm income	25.6	20.1	19.8	27.7	32.3	21.2	31.0	22.3	16.1	29 to 33	20 to 25
Deflated total net farm income 5/	20.3	15.2	14.2	18.4	19.8	11.9	15.8	10.8	7.5	13 to 15	9 to 11
Off-farm income	23.9	26.7	26.1	29.7	35.3	37.6	39.8	39.4	41.0	41 to 45	43 to 47

F = Forecast. 1/ Includes net CCC loans. 2/ Income from machine hire and custom work, farm recreational income, and direct government payments. 3/ Imputed gross rental value of farm dwellings and value of home consumption. 4/ Excludes depreciation of farm capital, perquisites to hired labor, and expenses associated with farm dwellings, and includes net rent to all landlords. 5/ Deflated by the GNP implicit price deflator, 1972=100. Totals may not add due to rounding.

Transportation Data

Rail rates; grain and fruit-vegetable shipments

	Annual			1984				1985		
	1982	1983	1984	Mar	Oct	Nov	Dec	Jan	Feb	Mar
Rail freight rate index 1/ (Dec 1984 = 100)										
All products	93.7	95.0	99.3	99.0	99.9	99.9	100.0	100.0 p	100.0 p	100.0 p
Farm products	92.4	94.0	98.7	98.2	100.0	100.0	100.0	100.0 p	100.1 p	99.5 p
Grain	93.4	94.0	98.6	98.0	100.0	100.0	100.0	100.2 p	100.0 p	99.3 p
Food products	93.7	94.8	99.1	98.8	99.7	99.6	100.0	100.0 p	100.0 p	100.0 p
Grain										
Rail carloadings (thou. cars) 2/	24.9	26.1	27.3	27.7	24.5	28.2	26.4	24.9	23.9	23.4
Barge shipments (mil. bu.) 3/	41.2	40.8	37.2	36.8	49.4	56.6	36.2	32.9	30.0	34.2
Fresh fruit & vegetable shipments										
Piggy back (thou. crt.) 3/ 4/	387	545	568	615	319	454	511	480	519	602
Rail (thou. crt.) 3/ 4/	698	786	641	755	398	458	635	570	565	631
Truck (thou. crt.) 3/ 4/	7,849	7,786	7,861	7,707	6,699	7,556	7,962	6,918	6,786	7,334

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985. p = preliminary.

Farm Prices: Received and Paid

Indexes of prices received and paid by farmers, U.S. average

	Annual			1984			1985			
	1982	1983	1984	Apr	Nov	Dec	Jan	Feb	Mar	Apr p
	1977=100									
Prices Received										
All farm products	133	134	142	146	137	135	135	135	134	132
All crops	121	127	139	140	130	125	126	125	127	126
Food grains	146	148	143	150	143	140	140	139	140	141
Feed grains & hay	120	143	146	157	126	128	130	129	130	131
Feed grains	120	146	148	160	126	127	130	129	131	132
Cotton	92	104	108	111	102	92	86	81	90	91
Tobacco	154	147	156	149	168	166	162	158	159	159
Oil-bearing crops	88	102	109	121	93	90	90	88	90	90
Fruit	175	123	199	140	246	201	197	188	175	174
Fresh market 1/	186	123	216	146	272	217	212	202	185	185
Commercial vegetables	127	131	134	136	106	115	128	137	153	142
Fresh market	120	129	133	136	96	108	126	137	158	144
Potatoes 2/	125	123	157	165	116	126	132	133	139	145
Livestock & products	145	141	146	151	143	145	145	145	141	137
Meat animals	155	147	151	156	146	151	152	154	148	145
Dairy products	140	140	138	135	147	144	144	141	137	134
Poultry & eggs	110	118	135	155	127	121	117	113	116	110
Prices paid										
Commodities & services,										
Interest, taxes, & wage rates	157	160	164	165	164	164	164	164	164	164
Production items	150	153	155	157	153	153	154	154	153	153
Feed	122	134	135	143	123	122	123	122	121	120
Feeder livestock	164	160	154	158	154	154	163	165	164	161
Seed	141	141	151	153	156	156	156	156	156	150
Fertilizer	144	137	143	146	141	139	139	139	137	137
Agricultural chemicals	119	125	128	126	129	129	129	129	128	128
Fuels & energy	210	202	202	203	200 ^o	198	195	192	195	201
Farm & motor supplies	152	152	148	147	148	147	147	147	147	147
Autos & trucks	159	170	182	180	189	189	189	189	189	189
Tractors & self-propelled machinery	165	174	181	180	182	182	182	182	180	180
Other machinery	160	171	180	177	183	183	183	183	182	182
Building & fencing	135	138	138	139	137	137	137	136	136	136
Farm services & cash rent	145	147	151	148	151	151	152	152	152	152
Interest payable per acre on farm real estate debt	241	251	251	251	256	251	250	250	250	250
Taxes payable per acre on farm real estate	131	137	132	132	145	132	135	135	135	135
Wage rates (seasonally adjusted)	143	148	150	150	150	150	150	150	150	150
Production items, Interest, taxes, & wage rates	155	159	161	163	159	159	160	160	160	159
Prices received (1910-14=100)	609	613	649	665	625	618	619	617	611	601
Prices paid, etc. (Parity Index) (1910-14=100)	1,076	1,105	1,130	1,133	1,131	1,125	1,130	1,130	1,130	1,130
Parity ratio 3/	57	56	57	59	55	55	55	55	54	53

1/ Fresh market for noncitrus and fresh market and processing for citrus. 2/ Includes sweetpotatoes and dry edible beans. 3/ Ratio of Index of prices received to index of prices paid, taxes, and wage rates. (1910-14=100).
p = preliminary.

Prices received by farmers, U.S. average

	Annual*			1984			1985			
	1982	1983	1984	Apr	Nov	Dec	Jan	Feb	Mar	Apr p
Crops										
All wheat (\$/bu.)	3.52	3.58	3.46	3.63	3.46	3.38	3.38	3.38	3.38	3.40
Rice, rough (\$/cwt.)	8.36	8.31	8.32	8.49	8.13	8.08	8.09	7.72	8.17	8.14
Corn (\$/bu.)	2.37	2.99	3.05	3.32	2.55	2.56	2.64	2.62	2.66	2.68
Sorghum (\$/cwt.)	4.00	4.89	4.61	5.00	4.08	4.16	4.16	4.10	4.23	4.36
All hay, baled (\$/ton)	69.20	73.70	76.30	79.80	73.00	76.00	74.00	75.40	72.50	73.40
Soybeans (\$/bu.)	5.78	6.73	7.02	7.83	6.02	5.82	5.90	5.75	5.88	5.86
Cotton, Upland (cts./lb.)	55.5	62.9	65.5	67.2	61.8	55.8	52.1	48.9	54.5	55.0
Potatoes (\$/cwt.)	5.10	4.97	6.45	6.69	4.61	4.91	5.22	5.18	5.48	5.74
Dry edible beans (\$/cwt.)	16.80	18.20	20.40	21.10	19.20	18.60	18.10	19.20	19.10	19.40
Apples for fresh use (cts./lb.)	15.3	13.2	17.0	15.0	17.3	17.8	14.7	14.5	15.0	14.9
Pears for fresh use (\$/ton)	300	280	218	136	364	333	329	376	381	437
Oranges, all uses (\$/box) 1/	6.61	3.36	9.01	5.21	11.54	8.28	8.37	8.01	7.12	7.06
Grapefruit, all uses (\$/box) 1/	2.06	1.99	3.05	3.57	4.16	4.19	3.86	3.48	2.88	3.39
Livestock										
Beef cattle (\$/cwt.)	57.00	55.80	57.60	60.10	54.90	57.00	57.30	58.50	57.30	56.10
Calves (\$/cwt.)	60.20	62.10	60.10	62.30	59.40	59.50	64.10	65.40	65.90	65.80
Hogs (\$/cwt.)	54.00	46.20	47.60	47.50	47.00	48.60	48.00	48.30	43.60	41.60
Lambs (\$/cwt.)	54.60	55.50	60.30	60.60	63.30	61.90	63.40	66.70	68.00	69.50
All milk, sold to plants (\$/cwt.)	13.60	13.60	13.40	13.10	14.30	14.00	14.00	13.70	13.30	13.00
Milk, manuf. grade (\$/cwt.)	12.70	12.60	12.50	12.30	13.20	13.00	12.90	12.60	12.30	12.10
Broilers (cts./lb.)	26.8	29.2	33.4	33.8	30.8	28.5	30.9	30.5	30.1	28.8
Eggs (cts./doz.) 2/	58.5	63.0	70.1	91.3	61.3	58.4	51.7	52.8	57.6	53.0
Turkeys (cts./lb.)	37.5	36.5	46.9	42.9	57.3	60.5	51.9	41.6	40.7	40.3
Wool (cts./lb.) 3/	68.0	61.5	78.5	87.9	81.7	72.0	68.2	65.3	72.2	74.8

1/ Equivalent on-tree returns. 2/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 3/ Average local market price, excluding incentive payments. *Calendar year averages. p = preliminary.

Producer and Consumer Prices

Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual			1984				1985		
	1984	Mar	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
1967=100										
Consumer price index, all items	311.1	307.3	313.0	314.5	315.3	315.3	315.5	316.1	317.4	318.8
Consumer price index, less food	311.3	306.8	313.2	315.2	316.1	316.2	316.2	316.3	317.4	319.1
All food	302.9	302.2	304.8	304.2	304.4	304.1	305.1	307.3	309.5	309.7
Food away from home	333.4	329.8	335.5	335.8	336.6	337.7	339.2	339.9	341.4	342.6
Food at home	292.6	293.1	294.4	293.4	293.4	292.4	293.2	296.1	298.6	298.4
Meats 1/	268.1	268.8	269.9	268.0	267.1	266.1	269.6	270.8	270.6	269.5
Beef & veal	275.6	279.9	274.3	271.9	271.3	271.9	276.2	276.4	275.6	275.3
Pork	252.5	248.6	259.9	257.5	255.0	251.2	254.6	258.5	258.9	256.5
Poultry	218.5	223.2	216.5	217.2	214.0	213.1	213.8	217.4	219.5	217.3
Fish	386.8	385.3	387.0	390.6	390.6	389.2	392.2	406.1	401.4	403.3
Eggs	209.0	237.2	179.3	178.6	177.8	175.6	185.7	161.3	169.7	172.1
Dairy products 2/	253.2	250.8	252.7	254.9	256.1	257.2	258.4	258.8	259.2	258.9
Fats & oils 3/	288.0	280.7	295.4	295.1	294.9	293.0	293.7	295.9	295.1	294.9
Fruits & vegetables	317.4	323.2	327.7	319.7	318.4	314.8	309.7	320.8	333.0	332.1
Fresh	330.3	344.3	345.7	332.5	329.3	323.4	312.6	332.7	354.1	352.1
Processed	306.1	302.8	310.7	308.4	309.2	308.0	309.3	310.6	312.7	313.0
Cereals & bakery products	305.3	301.5	307.8	307.9	308.7	309.0	310.7	312.4	313.7	314.4
Sugar & sweets	389.1	384.8	392.6	393.7	393.3	390.9	391.7	394.5	394.8	394.8
Beverages, nonalcoholic	443.0	443.5	441.5	444.0	446.8	445.5	443.4	449.4	452.7	454.0
Apparel commodities less footwear	183.2	182.3	183.1	187.8	189.2	188.3	185.9	181.9	183.7	187.6
Footwear	209.5	207.7	207.7	211.1	212.9	212.9	211.4	208.6	210.1	213.1
Tobacco products	310.0	305.6	313.9	314.1	314.6	314.7	314.6	321.0	323.2	323.7
Beverages, alcoholic	222.1	220.7	222.9	223.1	224.2	223.8	223.9	224.3	225.8	226.5

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter.

Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			1984				1984		
	1982	1983	1984	Mar	Oct	Nov	Dec	Jan	Feb	Mar
	1967=100									
Finished goods 1/	280.7	285.2	291.2	291.4	291.5	292.3	292.4	292.7	292.5	292.4
Consumer foods	259.3	261.8	273.5	276.6	271.1	272.3	274.4	274.2	275.5	274.2
Fresh fruit	236.9	251.2	252.8	222.3	272.5	261.4	269.7	255.5	285.1	248.7
Fresh & dried vegetables	246.5	248.9	278.3	357.4	242.7	223.9	217.9	242.3	272.8	282.7
Eggs	178.7	n.a.	210.8	235.8	179.9	176.0	187.5	141.9	161.5	167.6
Bakery products	275.4	285.7	299.0	294.8	302.9	304.9	305.0	307.3	308.9	309.1
Meats	250.6	236.7	236.7	239.6	224.9	230.7	236.3	236.7	234.5	230.2
Beef & veal	245.0	236.7	236.9	253.8	220.1	230.4	234.6	233.9	234.9	227.8
Pork	251.1	227.6	226.2	208.8	216.4	219.0	229.8	230.9	220.6	218.2
Poultry	178.7	185.0	206.1	218.2	196.8	202.8	200.1	198.8	196.1	193.3
Fish	422.4	448.2	485.3	549.3	515.4	489.7	539.2	541.2	527.7	527.4
Dairy products	248.9	250.6	251.7	248.8	256.4	257.3	255.9	255.4	254.1	253.4
Processed fruits & vegetables	274.5	277.4	294.2	295.4	295.8	292.3	292.6	296.7	295.4	300.2
Shortening & cooking oils	234.4	256.1	311.5	297.3	316.2	321.4	308.8	301.0	303.9	307.3
Consumer finished goods less foods	287.8	291.4	294.1	293.6	295.0	295.9	294.9	294.8	293.6	293.7
Beverages, alcoholic	197.8	205.0	209.9	207.8	210.5	210.1	209.6	210.1	210.1	210.5
Soft drinks	319.1	327.4	340.5	335.8	348.2	344.8	345.6	345.0	350.3	348.6
Apparel	194.4	197.4	201.1	200.7	200.5	202.2	201.8	202.6	202.8	203.2
Footwear	245.0	250.1	251.2	253.5	252.2	252.4	249.6	252.4	256.6	255.5
Tobacco products	323.2	365.4	399.5	390.4	402.3	402.7	406.9	423.8	420.4	420.6
Intermediate materials 2/	310.4	312.3	320.0	319.7	320.1	320.4	319.8	319.6	318.6	318.6
Materials for food manufacturing	255.1	258.4	271.1	269.6	267.6	269.5	268.4	264.9	264.1	263.5
Flour	183.4	186.4	185.2	183.9	184.9	184.9	183.3	185.6	186.9	186.0
Refined sugar 3/	161.3	172.0	173.5	174.6	172.0	171.6	170.6	168.2	165.1	165.6
Crude vegetable oils	160.1	193.8	262.1	247.2	256.9	272.0	252.0	223.9	235.9	246.0
Crude materials 4/	319.5	323.6	331.0	338.8	319.6	323.2	323.1	319.4	318.3	312.9
Foodstuffs & feedstuffs	247.8	252.2	259.7	269.9	244.9	252.8	253.7	251.3	250.7	243.6
Fruits & vegetables 5/	253.7	262.1	278.0	308.0	266.8	251.0	251.7	258.6	289.2	277.7
Grains	210.9	240.4	239.7	250.9	219.0	219.7	212.5	217.5	217.2	216.1
Livestock	257.8	243.1	251.8	260.8	233.9	247.7	252.3	247.4	249.7	236.6
Poultry, live	191.9	206.5	240.6	258.4	219.2	247.1	231.7	232.7	222.4	215.5
Fibers, plant & animal	202.9	227.0	228.4	250.3	202.8	201.4	203.0	204.5	200.6	200.4
Milk	282.5	282.0	278.3	274.2	286.7	287.6	287.5	284.6	281.0	278.4
Oilseeds	214.5	245.3	253.3	274.9	217.2	222.6	216.2	214.9	211.7	213.0
Coffee, green	311.5	300.1	308.0	301.3	310.2	310.2	310.2	310.2	310.2	310.2
Tobacco, leaf	269.9	274.2	272.7	261.8	290.1	295.6	290.9	284.5	258.5	280.0
Sugar, raw cane	278.5	315.9	312.0	314.8	309.6	306.2	304.5	297.7	293.6	298.0
All commodities	299.3	303.1	310.3	311.0	309.4	310.3	309.9	309.8	309.2	308.7
Industrial commodities	312.3	315.7	322.6	321.9	323.2	323.8	323.0	323.2	322.5	322.6
All foods 6/	254.4	257.5	269.4	272.9	266.6	267.9	269.5	268.5	269.6	268.4
Farm products & processed foods & feeds	248.9	253.9	262.6	267.9	255.8	258.1	259.2	258.0	257.8	255.0
Farm products	242.4	248.2	255.7	267.4	240.1	245.7	245.7	243.2	244.6	238.7
Processed foods & feeds	251.5	255.9	265.3	267.1	262.6	263.8	265.5	265.1	263.9	262.9
Cereal & bakery products	253.8	261.0	270.4	267.4	272.7	273.7	273.7	276.1	278.2	277.8
Sugar & confectionery	269.7	292.8	301.4	301.1	299.8	297.0	296.3	293.1	290.4	291.6
Beverages	256.9	263.6	273.2	269.9	276.1	276.0	275.9	276.2	277.6	277.6

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). n.a. = not available.

Farm-Retail Price Spreads

Market basket of farm foods

	Annual			1984				1985		
	1982	1983	1984 p	Mar	Oct	Nov	Dec	Jan	Feb	Mar
Market basket 1/										
Retail cost (1967=100)	266.4	268.7	279.3	279.9	279.7	278.8	279.9	282.1	284.8	284.2
Farm value (1967=100)	247.8	242.3	255.7	257.5	245.7	248.1	252.7	250.5	250.5	249.0
Farm-retail spread (1967=100)	277.4	284.3	293.1	293.1	299.7	296.9	295.9	300.7	305.0	304.9
Farm value/retail cost (%)	34.4	33.4	33.9	34.1	32.5	33.0	33.4	32.9	32.6	32.4
Meat products										
Retail cost (1967=100)	270.3	267.2	268.1	268.8	267.1	266.1	269.6	270.8	270.6	269.5
Farm value (1967=100)	251.3	235.8	241.6	242.4	225.6	231.8	245.6	242.9	242.0	234.2
Farm-retail spread (1967=100)	292.4	304.0	299.0	299.7	315.7	306.3	297.7	303.4	304.1	310.8
Farm value/retail cost (%)	50.2	47.6	48.6	48.6	45.6	47.0	49.2	48.4	48.2	46.9
Dairy products										
Retail cost (1967=100)	247.0	250.0	253.2	250.8	256.1	257.2	258.4	258.8	259.2	258.9
Farm value (1967=100)	261.9	262.1	259.0	253.3	264.6	268.2	266.7	265.8	261.0	260.6
Farm-retail spread (1967=100)	233.9	239.3	248.0	248.6	248.6	247.6	251.1	252.7	257.6	257.4
Farm value/retail cost (%)	49.6	49.0	47.8	47.2	48.3	48.8	48.3	48.0	47.1	47.1
Poultry										
Retail cost (1967=100)	194.9	197.5	218.5	223.2	214.0	213.1	213.8	217.4	219.5	217.3
Farm value (1967=100)	201.9	213.0	251.7	268.5	236.3	251.0	244.2	245.1	228.2	224.7
Farm-retail spread (1967=100)	188.1	182.4	186.4	179.3	192.4	175.2	184.4	190.5	211.1	210.2
Farm value/retail cost (%)	50.7	53.1	56.6	59.2	54.3	58.2	56.2	55.5	51.1	50.8
Eggs										
Retail cost (1967=100)	178.7	187.1	209.0	237.2	177.8	175.6	185.7	161.3	169.7	172.1
Farm value (1967=100)	189.8	206.1	229.6	263.4	171.2	194.9	189.2	153.7	159.8	180.6
Farm-retail spread (1967=100)	162.7	159.5	179.2	199.3	187.3	147.7	180.6	172.2	184.0	159.8
Farm value/retail cost (%)	62.8	65.1	64.9	65.6	56.9	65.6	60.2	56.3	55.7	62.0
Cereal & bakery products										
Retail cost (1967=100)	283.4	292.5	305.3	301.5	308.7	309.0	310.7	312.4	313.7	314.4
Farm value (1967=100)	178.8	186.6	191.9	195.4	185.3	187.2	182.8	184.3	183.8	185.3
Farm-retail spread (1967=100)	305.1	314.0	328.8	323.5	334.2	334.2	337.2	338.9	340.6	341.1
Farm value/retail cost (%)	10.8	11.1	10.8	11.1	10.3	10.4	10.1	10.1	10.0	10.1
Fresh fruits										
Retail cost (1967=100)	323.2	303.6	345.3	310.8	377.5	366.5	353.5	361.5	382.9	381.2
Farm value (1967=100)	288.8	220.6	315.1	218.3	399.6	343.5	317.7	291.7	338.7	302.2
Farm-retail spread (1967=100)	338.7	340.8	358.9	352.3	367.6	376.8	369.7	392.8	402.7	416.7
Farm value/retail cost (%)	27.7	22.5	28.3	21.8	32.8	29.0	27.8	25.0	27.4	24.6
Fresh vegetables										
Retail costs (1967=100)	288.9	299.3	331.8	385.4	306.0	304.4	294.8	324.5	346.3	342.0
Farm value (1967=100)	261.3	267.4	299.3	369.3	255.4	215.7	216.8	250.7	256.6	305.5
Farm-retail spread (1967=100)	301.8	314.3	347.1	392.9	329.8	346.1	331.5	359.2	389.4	359.2
Farm value/retail cost (%)	28.9	28.6	28.9	30.6	26.7	22.7	23.5	24.7	23.5	28.6
Processed fruits & vegetables										
Retail cost (1967=100)	286.0	288.8	306.1	302.8	309.2	308.0	309.3	310.6	312.7	313.0
Farm value (1967=100)	321.1	300.5	343.2	334.7	359.1	364.2	364.5	364.3	369.4	372.8
Farm-retail spread (1967=100)	278.2	286.2	297.8	295.7	300.1	295.6	297.1	298.7	300.1	299.8
Farm value/retail costs (%)	20.4	18.9	20.3	20.0	21.1	21.4	21.4	21.3	21.4	21.6
Fats & oils										
Retail cost (1967=100)	259.9	263.1	288.0	280.7	294.9	293.0	293.7	295.7	295.1	294.9
Farm value (1967=100)	207.8	251.0	324.5	329.6	298.6	295.3	298.3	281.0	302.8	309.4
Farm-retail spread (1967=100)	279.9	267.8	273.9	261.9	293.5	291.9	291.9	301.4	292.1	289.3
Farm value/retail cost (%)	22.2	26.5	31.3	32.6	28.1	28.2	28.2	26.4	28.5	29.1

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditure, Statistical Bulletin 713, ERS, USDA.

Farm retail price spreads

	Annual			1984				1985		
	1982	1983	1984	Mar.	Oct	Nov	Dec	Jan	Feb	Mar
Beef, Choice										
Retail price 1/ (cts./lb.)	242.5	238.1	239.6	244.6	234.9	236.6	240.3	239.7	238.7	238.6
Net carcass value 2/ (cts.)	150.7	145.4	147.6	155.0	136.6	146.5	149.5	147.0	144.3	137.0
Net farm value 3/ (cts.)	140.5	136.2	140.0	147.5	130.2	139.8	142.5	139.8	137.2	129.7
Farm-retail spread (cts.)	102.0	101.9	99.6	97.1	104.7	96.8	97.8	99.9	101.5	108.9
Carcass-retail spread 4/ (cts.)	91.8	92.7	92.0	89.6	98.3	90.1	90.8	92.7	94.4	101.6
Farm-carcass spread 5/ (cts.)	10.2	9.2	7.6	7.5	6.4	6.7	7.0	7.2	7.1	7.3
Farm value/retail price (%)	58	57	58	60	55	59	59	58	57	54
Pork										
Retail price 1/ (cts./lb.)	175.4	169.8	162.0	159.4	163.9	162.4	163.5	166.0	165.6	164.7
Wholesale value 2/ (cts.)	121.8	108.9	110.1	103.8	101.3	106.8	112.7	110.0	106.9	102.0
Net farm value 3/ (cts.)	88.0	76.5	77.4	74.1	70.1	76.6	79.6	78.0	77.5	69.6
Farm-retail spread (cts.)	87.4	93.3	84.6	85.3	93.8	85.8	83.9	88.0	88.1	95.1
Wholesale-retail spread 4/ (cts.)	53.6	60.9	51.9	55.6	62.6	55.6	50.9	56.0	58.7	62.7
Farm-wholesale spread 5/ (cts.)	33.8	32.4	32.7	29.7	31.2	30.2	33.1	32.0	39.4	32.4
Farm value/retail price (%)	50	45	48	46	43	47	49	47	47	42

1/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail prices from BLS.

2/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts.

3/ Market value to producer for quantity of live animal equivalent to 1 lb. retail cuts minus value of byproducts.

4/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 5/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Price Indexes of food marketing costs¹

	Annual			1983				1984			1985	
	1982	1983	1984	IV	I	II	III	IV	I ^p			
1967=100												
Labor-hourly earnings, and benefits	342.7	354.7	368.1	360.2	365.8	368.1	367.3	371.3	371.6			
Processing	330.0	340.9	352.0	343.4	350.7	352.5	350.6	354.1	356.8			
Wholesaling	334.7	350.6	374.9	363.6	368.0	374.4	376.9	380.2	383.5			
Retailing	358.9	370.4	381.3	375.3	379.9	380.8	379.8	384.6	381.0			
Packaging & containers	275.2	280.7	307.6	289.6	301.1	306.3	308.2	314.8	314.4			
Paperboard boxes & containers	254.9	251.0	281.1	259.2	269.9	278.0	284.1	292.5	288.9			
Metal cans	363.6	374.3	397.3	380.1	394.6	396.2	391.2	407.4	412.6			
Paper bags & related products	264.4	265.4	280.9	267.5	273.6	280.0	282.8	287.3	289.0			
Plastic films & bottles	200.0	226.2	272.1	251.1	272.1	272.1	272.1	272.1	272.1			
Glass containers	355.5	352.4	360.8	350.3	350.9	362.0	365.7	364.6	363.7			
Metal foil	213.2	214.0	226.9	218.8	223.7	227.8	230.0	226.1	216.6			
Transportation services	371.0	374.5	391.7	375.1	390.5	390.5	391.9	394.1	394.0			
Advertising	260.1	280.2	300.3	285.8	294.8	299.5	302.3	304.7	314.7			
Fuel & power	705.1	705.1	712.5	707.3	710.9	711.6	718.5	709.0	695.1			
Electric	406.0	417.9	440.0	419.9	423.8	437.0	455.7	443.5	446.9			
Petroleum	1,012.4	895.9	880.1	902.0	915.7	884.0	863.3	857.5	818.1			
Natural gas	990.3	1,155.0	1,162.9	1,151.4	1,137.3	1,159.4	1,181.9	1,173.0	1,155.0			
Communications, water & sewage	186.7	199.6	215.5	202.4	212.4	214.1	216.6	219.1	219.8			
Rent	264.3	260.6	261.6	260.9	258.6	260.9	262.4	264.4	263.2			
Maintenance & repair	325.1	338.2	350.3	344.0	346.3	348.5	352.1	354.5	357.9			
Business services	277.2	291.9	306.1	296.6	299.8	304.4	308.4	311.7	299.5			
Supplies	289.1	286.5	288.5	287.1	287.4	289.1	289.0	288.3	288.6			
Property taxes & insurance	309.9	327.5	343.7	332.7	337.9	343.0	345.2	348.9	353.8			
Interest, short-term	232.6	174.0	198.8	179.8	184.9	210.8	218.1	181.1	166.6			
Total marketing cost index	333.9	342.4	358.1	347.5	354.6	357.6	358.8	361.5	360.9			

1/ Indexes measure changes in employee wages and benefits and in prices of supplies and services used in processing, wholesaling, and retailing U.S. farm foods purchased for at-home consumption. p = preliminary.

Note: Annual historical data on food marketing cost indexes may be found in Food Consumption, Prices, and Expenditures, Statistical Bulletin 713, ERS, USDA.

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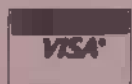
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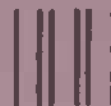
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